Important Notice

THIS DOCUMENT IS NOT FOR DISTRIBUTION TO ANY PERSON OTHER THAN TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) UNDER RULE 144A UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR (2) PERSONS OTHER THAN U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) WITH ADDRESSES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following notice before continuing. The following notice applies to the attached offering circular dated April 27, 2021 (the "Offering Circular"), whether received by email, accessed from an internet page or otherwise received as a result of electronic communication and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Offering Circular. In reading, accessing or making any other use of the Offering Circular, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Offering Circular, including any modifications made to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED IN THE OFFERING CIRCULAR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE SECURITIES ARE BEING OFFERED AND SOLD ONLY: (1) WITHIN THE UNITED STATES OR TO A U.S. PERSON IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") ONLY TO PERSONS THAT ARE "QUALIFIED INSTITUTIONAL BUYERS" ("QIBS") (AS DEFINED IN RULE 144A), ACTING FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB, AND (2) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS ("U.S. PERSONS") (AS DEFINED IN REGULATION S) IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S. WITHIN THE UNITED KINGDOM, THE OFFERING CIRCULAR IS DIRECTED ONLY AT PERSONS WHO (A) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "FPO"); (B) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(a) TO (d) OF THE FPO; OR (C) ARE OTHER PERSONS TO WHOM THE OFFERING CIRCULAR MAY BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). OUTSIDE OF THE UNITED KINGDOM, THE OFFERING CIRCULAR IS BEING DIRECTED ONLY AT PERSONS WHO MAY LAWFULLY RECEIVE IT. FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE "SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS" IN THE OFFERING CIRCULAR.

[The following language applies if the Securities referenced herein rely on the exemption as set out in Article 2-2-2, Paragraph 2, Item 3 of the Securities Issuance and Disclosure Regulations promulgated by the Financial Services Commission of Korea.]

THE SECURITIES HAVE NOT BEEN REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. ACCORDINGLY, THE SECURITIES MAY NOT OFFERED, DELIVERED, OR SOLD, DIRECTLY OR INDIRECTLY, IN THE REPUBLIC OF KOREA ("KOREA") OR TO ANY RESIDENT OF KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTION ACT OF KOREA AND RULES AND REGULATIONS PROMULGATED THEREUNDER) OR TO OTEHRS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, DURING THE FIRST YEAR AFTER THE ISSUANCE OF THE SECURITIES, THE SECURITIES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A "QUALIFIED INSITUTIONAL BUYER" (A "KOREAN QIB" AS DEFINED UNDER THE SECURITIES ISSUANCE AND DISCLOSURE REGULATIONS) WHO IS REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE SECURITIES ACQUIRED BY SUCH KOREAN QIB IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE SECURITIES.

[The following language applies if the Securities referenced herein rely on the exemption as set out in Article 2-2-2, Paragraph 2, Item 1 or Item 5 of the Securities Issuance and Disclosure Regulations promulgated by the Financial Services Commission of Korea.]

THE SECURITIES HAVE NOT BEEN REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. ACCORDINGLY, THE SECURITIES MAY NOT OFFERED, DELIVERED, OR SOLD, DIRECTLY OR INDIRECTLY, IN THE REPUBLIC OF KOREA ("KOREA") OR TO ANY RESIDENT OF KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTION ACT OF KOREA AND RULES AND REGULATIONS PROMULGATED THEREUNDER) OR TO OTEHRS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, DURING THE FIRST YEAR AFTER THE ISSUANCE OF THE SECURITIES, THE SECURITIES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT. THIS DOCUMENT IS NOT INTENDED FOR DISTRIBUTION TO AND MUST NOT BE PASSED ON TO ANY RETAIL CLIENT.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the offered securities described therein, (1) each prospective investor in respect of the securities being offered pursuant to Rule 144A must be a QIB, (2) each prospective investor in respect of the securities being offered outside of the United States in an offshore transaction pursuant to Regulation S must be a person other than a U.S. Person and (3) each prospective investor in respect of the securities being offered in the United Kingdom must be a Relevant Person. By accepting the e-mail and accessing, reading or making any other use of the attached Offering Circular, you shall be deemed to have represented to BNP Paribas, Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Merrill Lynch International, MUFG Securities EMEA plc, Mizuho Securities USA LLC, Société Générale, Standard Chartered Bank and UBS AG Hong Kong Branch (the "Dealers") being the sender of the attached, that (A) in respect of the securities being offered pursuant to Rule 144A, you are (or the person you represent is) a QIB, and that the electronic mail (or e-mail) address to which, pursuant to your request, the Offering Circular has been delivered by electronic transmission is utilized by someone who is a QIB, or (B) in respect of the securities being offered outside of the United States in an offshore transaction pursuant to Regulation S, you are (or the person you represent is) a person other than a U.S. Person, and that the electronic mail (or e-mail) address to which, pursuant to your request, the Offering Circular has been delivered by electronic transmission is utilized by a person other than a U.S. Person, (C) in respect of the securities being offered in the United Kingdom, you are (or the person you represent is) a Relevant Person, and (D) you are a person to whom the Offering Circular may be delivered in accordance with the restrictions set out in the section entitled "*Subscription and Sale and Transfer and Selling Restrictions*" in the Offering Circular.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this Offering Circular to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of Kookmin Bank (the "Issuer") in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Dealers, the Issuer or any person who controls any of them or is a director, officer, employee or agent of any of them nor any affiliate of any such person accepts any liability or responsibility whatsoever to the fullest extent permitted by law in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The distribution of the Offering Circular in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Circular comes are required by the Dealers and the Issuer to inform themselves about, and to observe, any such restrictions.

Offering Circular dated April 27, 2021

KB Kookmin Bank

(incorporated with limited liability under the laws of the Republic of Korea)
(acting through its principal office in the Republic of Korea and any overseas branch)

U.S.$8,000,000,000
Global Medium Term Note Programme

This Offering Circular supersedes and replaces in its entirety the offering circular dated April 20, 2020 in relation to the U.S.$8,000,000,000 Global Medium Note Programme (the "Programme," as amended, supplemented or restated from time to time) of Kookmin Bank (the "Issuer" or the "Bank"). The Programme was originally established on April 18, 1996. Any Notes (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This Offering Circular does not affect any Notes issued before the date of this Offering Circular.

Under the Programme, the Issuer may from time to time issue notes in bearer and/or registered form (respectively, "Bearer Notes and Registered Notes" and, together, the "Notes," which expression shall include Senior Notes and Subordinated Notes (as defined herein)) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

In relation to any Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes, the Issuer may act through its principal office in the Republic of Korea ("Korea") or through any of its overseas branches, in each case as indicated in the applicable Pricing Supplement (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$8,000,000,000 (or its equivalent in other currencies calculated as described herein).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each, a "Dealer" and, together, the "Dealers"). References in this Offering Circular to the relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, see "*Risk Factors*."

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "Singapore Stock Exchange") in connection with the Programme and application will be made for the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed, at or prior to the time of issue thereof, to be so listed and quoted on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of any Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be listed and quoted on the Singapore Stock Exchange, will be submitted to the Singapore Stock Exchange before the date of listing and quotation of the Notes of such Tranche.

The Programme provides that Notes may be listed or admitted to trading on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States or to, or for the benefit of, U.S. persons, unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. The Notes are subject to certain restrictions on transfer. See "*Subscription and Sale and Transfer and Selling Restrictions.*"

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the *Terms and Conditions of the Notes* herein, in which event (in the case of Notes intended to be listed and quoted on the Singapore Stock Exchange) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

HSBC

Dealers

BNP PARIBAS	**BofA Securities**	**Citigroup**
Crédit Agricole CIB	**Credit Suisse**	**HSBC**
J.P. Morgan	**Mizuho Securities**	**MUFG**
Société Générale Corporate & Investment Banking	**Standard Chartered Bank**	**UBS**

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the issuance and offering of Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

The Singapore Stock Exchange assumes no responsibility for the contents of this Offering Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger or the Dealers as to the authenticity, origin, validity, accuracy or completeness of, or any errors in or omissions from, the information or statements contained or incorporated in this Offering Circular or any supplement hereto or any other information provided by the Issuer in connection with the Programme. Neither the Arranger nor the Dealers accept any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorized by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit, taxation or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Arranger, or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arranger or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arranger, and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger, or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area and the United Kingdom, Japan, Korea, Singapore, Hong Kong and Canada. See "*Subscription and Sale and Transfer and Selling Restrictions*."

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area or the United Kingdom (each, a "Relevant State") will be made pursuant to an exemption under the Prospectus Regulation (as defined below) from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make any offer in that Relevant State of Notes which are the subject of the offering contemplated in this Offering Circular as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor the Dealers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Dealers to publish or supplement a prospectus for such offer. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"): Unless otherwise stated in the Pricing Supplement in respect of any Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Arranger, the Dealers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

MiFID II Product Governance/Target Market

The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "MiFID II") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR Product Governance/Target Market

The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to the European Union (Withdrawal) Act 2018 is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance rules under the European Union (Withdrawal) Act 2018 (the "UK MiFIR Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition Of Sales To UK Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation").

U.S. Information

This Offering Circular may be submitted on a confidential basis in the United States to a limited number of QIBs or Institutional Accredited Investors (each as defined under "*Form of the Notes*") for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder.

Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case, in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act ("Rule 144A").

Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (as defined under "*Terms and Conditions of the Notes*"). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together, "Legended Notes") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*." Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*."

Notice to Persons in the United Kingdom

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Notice to Persons in Canada

The Notes are being offered in Canada on a prospectus-exempt, private placement basis only, and may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions (NI 45-106) or subsection 73.3(1) of the Securities Act (Ontario), and that are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Prospective Canadian investors should read the section entitled "*Subscription and Sale and Transfer and Selling Restrictions—Selling Restrictions—Canada*" for additional information.

Service of Process and Enforcement of Civil Liabilities

The Issuer is a corporation organized under the laws of Korea. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Korea upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside Korea predicated upon civil liabilities of the Issuer or such directors and officers under laws other than Korean law, including any judgment predicated upon United States federal securities laws. The Issuer has been advised by Shin & Kim LLC, its counsel, that there is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

Presentation of Financial and Other Information

The Issuer maintains its financial books and records and prepares its financial statements in Won, in accordance with International Financial Reporting Standards as adopted by Korea ("Korean IFRS"), which differ in certain important respects from generally accepted accounting principles in other countries, including the generally accepted accounting principles in the United States ("U.S. GAAP").

Unless otherwise stated, the financial data contained in this Offering Circular as of and for the years ended December 31, 2018, 2019 and 2020 are derived from the Issuer's audited consolidated financial statements included herein which have been prepared in accordance with Korean IFRS.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

All references in this document to "Won" and "W" refer to the currency of Korea, those to "U.S. dollars," "U.S.$" and "$" refer to the currency of the United States of America, those to "S$" refer to the currency of Singapore, those to "Hong Kong dollar" and "HK$" refer to the currency of the Hong Kong Special Administrative Region of the People's Republic of China, those to "Tenge" refer to the currency of the Republic of Kazakhstan, those to "Sterling" and "£" refer to the currency of the United Kingdom and those to "€" and "euro" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended.

For convenience only, certain Won amounts in this Offering Circular have been translated into U.S. dollars. The table below sets out, for the periods and dates indicated, information concerning the base rate under the market average exchange rate system, announced by the Seoul Money Brokerage Services, Ltd., between U.S. dollars and Won rounded to the nearest tenth of one Won (the "Market Average Exchange Rate"). Unless indicated otherwise, the translations of Won into U.S. dollars in this Offering Circular have been made at the rate of W1,088.0 to U.S.$1.00, which was the Market Average Exchange Rate as of December 31, 2020. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all.

	Low	High	Average[(1)]	Period-end
		(Won per U.S.$1.00)		
Year ended December 31,				
2015	1,068.1	1,203.1	1,131.5	1,172.0
2016	1,093.2	1,240.9	1,160.5	1,208.5
2017	1,071.4	1,208.5	1,130.8	1,071.4
2018	1,057.6	1,142.5	1,100.3	1,118.1
2019	1,111.6	1,218.9	1,165.7	1,157.8
2020	1.082.7	1,280.1	1,180.1	1,088.0
2021 (through April 27)	1,083.1	1,141.1	1,115.7	1,114.0
January	1,083.1	1,114.6	1,097.5	1,114.6
February	1,099.7	1,124.0	1,111.7	1,108.4
March	1,121.3	1,141.1	1,131.0	1,133.5
April (through April 27)	1,113.4	1,132.6	1,120.9	1,114.0

Source: Seoul Money Brokerage Services, Ltd.
Note:
(1) Represents the average of the daily Market Average Exchange Rate over the relevant period.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilization Manager(s) (or persons acting on behalf of any Stabilization Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilization Manager(s) (or persons acting on behalf of a Stabilization Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilization Manager(s) (or person(s) acting on behalf of Stabilization Manager(s)) in accordance with all applicable laws and rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recently published audited, (if available), consolidated and separate annual financial statements and, if published later, the most recently published, unaudited, consolidated and separate interim financial statements (if any) of the Issuer (see "*General Information*" for a description of the financial statements currently published by the Issuer); and

(b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Separate financial statements are financial statements as presented by the parent (an investor with control of a subsidiary) or an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with Korean IFRS 1109, Financial Instruments.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its registered offices set out at the end of this Offering Circular. In addition, such documents will be available from the principal office in London of The Bank of New York Mellon, London Branch (the "Principal Paying Agent") for Notes listed and quoted on the Singapore Stock Exchange.

The Issuer will, in connection with the listing and quotation of the Notes on the Singapore Stock Exchange, so long as the rules of the Singapore Stock Exchange so require, in the event of any material change which is not reflected in this Offering Circular, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of the Notes to be listed and quoted on the Singapore Stock Exchange.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new Offering Circular will be prepared.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken in a deed poll dated May 14, 2009 (the "Deed Poll") to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*" below.

This Offering Circular and any supplement will only be valid for the offering of Notes during the period of 12 months from the date of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$8,000,000,000 or its equivalent in other currencies.

For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the Notes, described under "*Form of the Notes*" below) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the Notes, described under "*Form of the Notes*" below) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the Notes, described under "*Form of the Notes*" below) and other Notes issued at a discount or premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

Issuer	Kookmin Bank, acting through its principal office in Korea or through any of its overseas branches, in each case, as indicated in the applicable Pricing Supplement.
Description	Global Medium Term Note Programme
Arranger	The Hongkong and Shanghai Banking Corporation Limited
Dealers	BNP Paribas, Citigroup Global Markets Inc., Credit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Merrill Lynch International, MUFG Securities EMEA plc, Mizuho Securities USA LLC, Société Géneralé, Standard Chartered Bank and UBS AG Hong Kong Branch and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply, will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*"). **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000, unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See "*Subscription and Sale and Transfer and Selling Restrictions*."
Principal Paying Agent and Calculation Agent	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent	The Bank of New York Mellon
Paying Agent, Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch
CMU Lodging and Paying Agent	The Bank of New York Mellon, Hong Kong Branch
Programme Size	Up to U.S.$8,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies	Subject to any applicable legal or regulatory restrictions, any currency as may be agreed between the Issuer and the relevant Dealer.
Redenomination	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer and as indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency provided that, at the date of this Offering Circular: (i) Tier II Subordinated Notes shall have a minimum maturity of five years and may not be perpetual and (ii) Tier I Subordinated Notes are undated perpetual securities and shall have no fixed maturity date.
Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	Notes will be issued in bearer or registered form as described in "*Form of the Notes*" below. Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Pricing Supplement) and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined either: (i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.
Index Linked Notes	Payments of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree (as indicated in the applicable Pricing Supplement) to the extent permitted by applicable law.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both

	(as indicated in the applicable Pricing Supplement). Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree (as indicated in the applicable Pricing Supplement) to the extent permitted by applicable law.
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.
Redemption	The applicable Pricing Supplement will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified installments, if applicable, or for taxation reasons (in the case of the Subordinated Notes, only with the prior approval of the Financial Supervisory Service of Korea (the "FSS") or of such other relevant regulatory authorities in Korea, if necessary) or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer (only with, in the case of Subordinated Notes, the prior approval of the FSS or of such other relevant regulatory authorities in Korea) and/or (except in the case of Subordinated Notes) the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. Subordinated Notes may not be redeemed less than five years after the relevant Issue Date, except for taxation reasons or following an Event of Default. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more installments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.
Denomination of Notes	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer and as indicated in the applicable Pricing Supplement, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. See "*—Certain Restrictions—Notes having a maturity of less than one year*" above. Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Definitive IAI Registered Note will be U.S.$500,000 or its approximate equivalent in other Specified Currencies. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution (see

	"*—Certain Restrictions—Notes having a maturity of less than one year*" above), and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or the United Kingdom or offered to the public in a Member State of the European Economic Area or the United Kingdom in circumstances which require the publication of a prospectus under the Prospectus Regulation will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any tax jurisdiction, except as otherwise provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted. All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA, as provided in Condition 6.
Further Issues	Subject as provided in Condition 16 and the satisfaction of other relevant requirements under the Programme Agreement, the Agency Agreement (including the Conditions), the Deed Poll, the Deed of Covenant, each Pricing Supplement (as applicable in the case of each issue of listed Notes subscribed pursuant to a subscription agreement), each Subscription Agreement (as applicable in the case of each issue of listed Notes subscribed pursuant to a subscription agreement), each document, agreement or deed ancillary or supplemental to any of the documents specified in the documents above, and any other agreement or document from time to time designated as such by the Issuer and the Dealers, the Issuer may from time to time, without the consent of the Noteholders, Receiptholders or Couponholders, create and issue further securities having the same terms and conditions as any Series of Notes in all respects save for the amount and date of the first payment of interest thereon, which will be consolidated and form a single Series with the outstanding Notes of such Series.
Negative Pledge	The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4.
Cross Acceleration	The terms of the Senior Notes will contain a cross-acceleration provision as further described in Condition 10.
Status of the Senior Notes	The Senior Notes will constitute direct, unconditional, and (subject to Condition 4) unsecured obligations of the Issuer which will rank *pari passu* among themselves and will rank at least *pari passu* with all other present and future unsecured (subject to Condition 4) and unsubordinated obligations of the Issuer, save for such as may be preferred by mandatory provisions of applicable law.
Status of the Subordinated Notes	The Subordinated Notes will constitute direct, general, unsecured and subordinated obligations of the Issuer which will at all times rank *pari passu* and rateably without any preference among themselves and in priority to claims of holders of all classes of equity (including holders of preference shares (if any))

	of the Issuer. The rights of holders of Subordinated Notes will be subordinated in right of payment in the manner provided in Condition 3(c).
Listing	Approval in-principle has been received from the Singapore Stock Exchange in connection with the Programme and application will be made for the listing and quotation of Notes that may be issued under the Programme and which are agreed, at or prior to the time of issue thereof, to be so listed and quoted on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. For so long as any Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, such Notes, if traded on the Singapore Stock Exchange, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes will be admitted for listing and quotation on the Singapore Stock Exchange or admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system.
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and will be construed in accordance with, English law, except for Condition 3(b) ("*Status of the Subordinated Notes*") and Condition 3(c) ("*Subordination*") which will be governed by, and construed in accordance with, Korean law.
Notes Issued as Green Bonds, Social Bonds or Sustainability Bonds	The Issuer may agree at the relevant issue date of any Notes designated as Green Bonds, Social Bonds or Sustainability Bonds (as described in "*Use of Proceeds*") to allocate the net proceeds towards the financing and/or refinancing of Green Eligible Categories, Social Eligible Categories (each as defined in "*Use of Proceeds*") or a combination of the two categories (in the case of Sustainability Bonds) in accordance with certain prescribed eligibility criteria as described under the Kookmin Bank Sustainable Financing Framework. See "*Sustainable Financing Framework*." However, it would not be an event of default under the Green Bonds, Social Bonds or Sustainability Bonds if (i) the Issuer were to fail to comply with such undertaking or were to fail to allocate the proceeds in the manner specified in the applicable Pricing Supplement and/or (ii) any Second Party Opinion (as defined in "*Risk Factors—Risks Relating to the Notes—Notes issued as Green Bonds, Social Bonds or Sustainability Bonds may not be a suitable investment for all investors seeking exposure to green assets, social assets or sustainability assets*") issued in connection with such Green Bonds, Social Bonds or Sustainability Bonds were to be withdrawn. Any failure to allocate the net proceeds of any Series of Green Bonds, Social Bonds or Sustainability Bonds in connection with green projects, social projects or sustainability

	projects and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally or socially focused investors with respect to such Green Bonds, Social Bonds or Sustainability Bonds may affect the value and/or trading price of the Green Bonds, Social Bonds or Sustainability Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green assets, social assets or sustainability assets.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area and the United Kingdom, Japan, Korea, Singapore, Hong Kong, Canada and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale and Transfer and Selling Restrictions*."

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfill its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons which may not be considered significant risks by the Issuer based on information currently available to it and which it may not currently be able to anticipate. The risks described below are not the only risks faced by the Issuer. Additional risks and uncertainties, including those not presently known to the Issuer or that it currently believes to be immaterial, could also have a material impact on the Issuer's financial results, businesses, financial condition or liquidity and could, directly or indirectly, adversely affect the ability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes or to perform any of their respective obligations. For such additional information in respect of the Issuer, prospective investors should consider all such risks and factors and read the detailed information set out elsewhere in this Offering Circular and any applicable Final Terms to reach their own views prior to making any investment decisions.

Prospective purchasers of Notes should carefully review the information contained in this Offering Circular, including, in particular, the following matters.

Risks Relating to the Issuer's Retail Credit Portfolio

Future changes in market conditions as well as other factors may lead to increases in delinquency levels of the Issuer's retail loan portfolio.

In recent years, consumer debt has increased significantly in Korea. The Issuer's portfolio of retail loans on a separate basis, including mortgage and home equity loans, increased from ₩141,894 billion as of December 31, 2018 to ₩148,559 billion as of December 31, 2019 and to ₩162,483 billion as of December 31, 2020. As of December 31, 2020, on a separate basis, the Issuer's retail loans represented 50.9% of the Issuer's total lending. On a separate basis, within the Issuer's retail loan portfolio, the outstanding balance of other consumer loans, which unlike mortgage or home equity loans are often unsecured and therefore tend to carry a higher credit risk, increased from ₩40,782 billion as of December 31, 2018 to ₩49,511 billion as of December 31, 2020; as a percentage of total outstanding retail loans on a separate basis, such balance increased from 28.7% as of December 31, 2018 to 30.5% as of December 31, 2020. The growth of the Issuer's retail lending business, which generally offers higher margins than other lending activities, has contributed significantly to its interest income and profitability in recent years.

The growth of the Issuer's retail loan portfolio, together with fluctuating economic conditions in Korea and globally in recent years, especially in light of the ongoing global outbreak of the COVID-19 pandemic caused by a new strain of coronavirus, may lead to increases in delinquency levels and a deterioration in asset quality. On a separate basis, the amount of the Issuer's non-performing retail loans (defined as those loans that are past due by 90 days or more) increased from ₩193 billion as of December 31, 2018 to ₩250 billion as of December 31, 2019 but decreased to ₩182 billion as of December 31, 2020. Higher delinquencies in the Issuer's retail loan portfolio in the future will require the Issuer to increase its loan loss provisions and charge-offs, which in turn will adversely affect its financial condition and results of operations.

The Issuer's large exposure to consumer debt means that it is exposed to changes in economic conditions affecting Korean consumers. Accordingly, economic difficulties in Korea that hurt consumers could result in a deterioration in the credit quality of the Issuer's retail loan portfolio. For example, the severe impact of the COVID-19 pandemic on Korea's economy has disrupted the business, activities and operations of consumers, which in turn has resulted in, and in the future could result in, a significant decrease in the number of financial transactions or the inability of the Issuer's customers to meet existing payment or other obligations to the Issuer. See "*—Other Risks Relating to the Issuer's Business—The ongoing global pandemic of COVID-19 and any possible recurrence of other types of widespread infectious disease may adversely affect the Issuer's business, financial condition or results of operations.*" In addition, a rise in unemployment, an increase in interest rates or a decline in real estate prices in Korea could adversely affect the ability of consumers to make payments and increase the likelihood of potential defaults. See "*—Risks Relating to Korea—Unfavourable financial and economic developments in Korea may have an adverse effect on the Issuer.*" Despite the Issuer's efforts to minimise its risk as a result of such exposure, there is no assurance that it will be able to prevent significant credit quality deterioration in its retail loan portfolio.

In addition, the Issuer is exposed to changes in regulations and policies on retail lending by the Korean government (the "Government"), which may adopt measures to restrict retail lending or encourage financial institutions to provide financial support to certain types of retail borrowers. From the second half of 2016 to 2020, the Government introduced various measures to tighten regulations on mortgage and other lending and housing subscription in response to the rapid growth in consumer debt and concerns over speculative investments in real estate in certain areas. A decrease in housing prices as a result of the implementation of such measures, together with the high level of consumer debt and rising interest rate levels, could result in declines in consumer spending and reduced economic growth, which may lead to increases in delinquency levels of the Issuer's retail loan portfolio.

In light of adverse conditions in the Korean economy affecting consumers, in March 2009, the Financial Services Commission (the "FSC") requested Korean banks, including the Issuer, to establish a "pre-workout program," including a credit counselling and recovery service, for retail borrowers with outstanding short-term debt defaults. Under the pre-workout program, which has been in operation since April 2009, maturity extensions and/or interest reductions are provided for retail borrowers with total loans of ₩1.5 billion or less (consisting of no more than ₩500 million of unsecured loans and ₩1 billion of secured loans) from two or more financial institutions who are in arrears on their payments for more than 30 days but less than 90 days or those whose delinquency period is 30 days or less but with annual income of W40 million or less and cumulative delinquency period of 30 days or more within the year immediately preceding the application date, and who either have an income in excess of the minimum cost of living or are deemed by the Credit Counseling and Recovery Service, a public service organization that provides debt adjustment services to low-income families in Korea, to have the ability to repay their loans. In addition, in March 2015 and September 2019, in response to increasing levels of consumer debt and amid concerns over the debt-servicing capacity of retail borrowers if interest rates were to rise, the Government launched, and requested Korean banks to participate in, a mortgage loan refinancing program aimed at reducing the payment burden on and improving the asset quality of outstanding mortgage loans. Under such refinancing programs, qualified retail borrowers were able to convert their outstanding non-amortising floating-rate mortgage loans from Korean commercial banks (including the Issuer) into amortising fixed-rate mortgage loans with lower interest rates. The Issuer's participation in such refinancing program may lead to a decrease in its interest income on its outstanding mortgage loans, as well as in its overall net interest margin. Moreover, the Issuer's participation in such initiatives led by the Government to provide financial support to retail borrowers may lead the Issuer to offer credit terms for such borrowers that it would not generally offer, which may have an adverse effect on the Issuer's results of operations and financial condition.

Risks Relating to the Issuer's Small- and Medium-Sized Enterprise (SME) Loan Portfolio

The Issuer has significant exposure to SMEs, and any financial difficulties experienced by these customers may result in a deterioration of the Issuer's asset quality and have an adverse impact on the Issuer.

One of the Issuer's core businesses is lending to SMEs. The Issuer's loans to SMEs increased from ₩99,142 billion as of December 31, 2018 to ₩115,322 billion as of December 31, 2020. During that period, non-performing loans (defined as those loans that are past due by 90 days or more) to SMEs decreased from ₩188 billion to ₩111 billion. The non-performing loan ratio for such loans was 0.1% as of December 31, 2020. However, the Issuer's non-performing loans and non-performing loan ratio may increase in the future. According to data compiled by the Financial Supervisory Service (the "FSS"), the delinquency ratio for Won currency loans by Korean commercial banks to SMEs was 0.4% as of December 31, 2020. The delinquency ratio for Won currency loans to SMEs is calculated as the ratio of (1) the outstanding balance of such loans in respect of which either principal or interest payments are overdue by one month or more to (2) the aggregate outstanding balance of such loans. The Issuer's delinquency ratio for such loans was 0.3% as of December 31, 2018, 0.2% as of December 31, 2019 and 0.2% as of December 31, 2020. However, the Issuer's delinquency ratio for such Won currency loans may increase in the future.

The Government has historically introduced policies and initiatives intended to encourage Korean banks to provide financial support to SME borrowers. For example, the Government requested Korean banks, including the Issuer, to establish a "fast track" program to provide liquidity assistance to SMEs on an expedited basis since 2008. Since the termination of the "fast track" program in 2016, the FSC implemented a swift financial assistance program for SME borrowers for a period of five years beginning on January 1, 2017. Financial institutions participating in such program, including the Issuer, has provided financial assistance (including in the form of new loans, extension of maturity on existing obligations and provision of lower interest rates) to SME borrowers that are experiencing temporary liquidity crises but have a credit rating exceeding a certain threshold. The overall prospects for the Korean economy in 2021 and beyond remain uncertain, and the Government may extend or renew existing or past policies and initiatives or introduce new policies or initiatives to encourage Korean banks to provide financial support to SMEs. In particular, the ongoing global outbreak of the COVID-19 pandemic affecting many countries worldwide, including Korea, has prompted the Government in recent months to implement various emergency aid initiatives involving Korean banks, including the Issuer, to provide liquidity assistance to SME borrowers. Such initiatives include the provision of new loans to borrowers with low credit ratings, extension of maturity dates for existing loans and suspension of interest payment obligations for an extended period of time. See "Other Risks Relating to the Issuer's Business—The ongoing global pandemic of COVID-19 and any possible recurrence of other types of widespread infectious disease may adversely affect the Issuer's business, financial condition or results of operations." The Issuer's participation in such Government-led initiatives may lead the Issuer to extend credit to SME borrowers that the Issuer would not otherwise extend, or offer terms for such credit that the Issuer would not otherwise offer, in the absence of such initiatives. Furthermore, there is no guarantee that the financial condition and liquidity position of the Issuer's SME borrowers benefiting from such initiatives will improve sufficiently for them to service their debt on a timely basis, or at all. Accordingly, increases in the Issuer's exposure to SME borrowers resulting from such Government-led initiatives may have a material adverse effect on the Issuer's financial condition and results of operations.

A substantial part of the Issuer's SME lending comprises loans to "small office/home office" customers ("SOHOs"). SOHOs, which the Issuer currently defines to include sole proprietorships and individual business interests, are usually dependent on a limited number of suppliers or customers. SOHOs tend to be affected to a greater extent than larger corporate borrowers by fluctuations in the Korean economy. In addition, SOHOs often maintain less sophisticated financial records than other corporate borrowers. Although the Issuer continues to make efforts to improve its internally developed credit rating systems to rate potential borrowers, particularly with respect to SOHOs, and intends to manage its exposure to these borrowers closely in order to prevent any deterioration in the asset quality of the Issuer's loans to this segment, the Issuer may not be able to do so as intended.

In addition, many SMEs have close business relationships with the largest Korean commercial conglomerates, known as "*chaebols*," primarily as suppliers. Any difficulties encountered by those *chaebols* would likely hurt the liquidity and financial condition of related SMEs, including those to which the Issuer has exposure, also resulting in an impairment of their ability to repay loans.

In recent years, the Issuer has taken measures which sought to stem rising delinquencies in its loans to SMEs, including through strengthening of the review of loan applications and closer monitoring of the post-loan performance of SME borrowers in industry sectors that are relatively more sensitive to downturns in the economy and have shown higher delinquency ratios, such as the shipping, construction, lodging, retail and wholesale, restaurants and real estate development and supplier industries. Despite such efforts, however, there is no assurance that delinquency levels of the Issuer's loans to SMEs will not rise in the future. In particular, financial difficulties experienced by SMEs as a result of, among other things, adverse economic conditions in Korea and globally, could have an adverse impact on the ability of SMEs to make payments on the Issuer's loans. For example, the ongoing global outbreak of the COVID-19 pandemic has had a significant adverse impact on the Korean and global economy, which in turn has subjected, and could continue to subject, SMEs to disruptions in supply chains, a decline in sales and/or deterioration in financial conditions. In addition, aggressive marketing and competition among banks to lend to this segment may lead to a deterioration in the asset quality of the Issuer's loans to this segment in the future. Any such deterioration would result in increased charge-offs and higher provisioning and reduced interest and fee income from this segment, which would have an adverse impact on the Issuer's financial condition and results of operations.

The Issuer has exposure to Korean construction, shipbuilding and shipping companies, and financial difficulties of these companies may have an adverse impact on the Issuer.

As of December 31, 2020, on a separate basis, the Issuer had loans outstanding to construction, shipbuilding and shipping companies (many of which are SMEs) in the amount of ₩2,574 billion, ₩574 billion and ₩232 billion, or 0.8%, 0.2% and 0.1% of its total loans, respectively. The Issuer also has other exposures to Korean construction, shipbuilding and shipping companies, including in the form of guarantees extended on behalf of such companies (which included, on a separate basis, confirmed guarantees of ₩393 billion for construction companies, ₩691 billion for shipbuilding companies and ₩0.1 billion for shipping companies as of December 31, 2020) and debt and equity securities of such companies held by the Issuer. In the case of construction companies, such exposures include guarantees provided to the Issuer by general contractors with respect to financing extended by the Issuer for residential and commercial real estate development projects. In the case of shipbuilding companies, such exposures include refund guarantees extended by the Issuer on behalf of shipbuilding companies to cover their obligation to return a portion of the ship order contract amount to customers in the event of performance delays or defaults under shipbuilding contracts.

The construction industry in Korea has long been stagnant due to excessive investments in residential property development projects, steady reductions in the Government's social overhead capital spending until 2018 and heavy losses from overseas construction projects. Although there have been mixed signs of recovery for this industry in recent years, there is increased uncertainty relating to overseas construction projects and stagnant business for commercial properties due to COVID-19. The shipbuilding industry in Korea has experienced a severe downturn in recent years reflecting a significant decrease in ship orders, primarily due to oversupply. Although ship orders have started to increase again, in particular due to increased demand for eco-friendly Korean ships due to the strengthening of global environmental regulations, the shipbuilding industry has yet to recover fully. In the case of shipping companies in Korea, reduced shipping rates and high chartering costs, together with the slowdown in global trade, have contributed to the deterioration of their financial condition, requiring some of them to file for bankruptcy or pursue voluntary restructuring of their debt. Although there have been mixed signs of recovery for this industry in recent years resulting from the Government's initiatives to rebuild the industry and the recent increase in demand for shipments, the ongoing stagnation in global trade is expected to limit the recovery of the shipping industry.

In response to the deteriorating financial condition and liquidity position of borrowers in the construction, shipbuilding and shipping industries, which were disproportionately impacted by adverse economic developments in Korea and globally, the Government implemented a program in 2009 to promote expedited restructuring of such borrowers by their Korean creditor financial institutions, under the supervision of major commercial banks. In accordance with such program, 24 construction companies and five shipbuilding companies became subject to workout in 2009, following review by their creditor financial institutions (including the Issuer) and the Government. Each year since 2009, the FSC and the FSS have announced the results of subsequent credit risk evaluations conducted by creditor financial institutions (including the Issuer) of large corporations in Korea with outstanding credit exposures of ₩50 billion or more and SMEs in Korea with outstanding credit exposures of ₩50 billion or less, pursuant to which a number of companies were selected by such financial institutions for restructuring in the form of workout, liquidation or court receivership. However, there is no assurance that these measures will be successful in stabilising the Korean construction, shipbuilding and shipping industries.

The allowances that the Issuer has established against its credit exposures to Korean construction, shipbuilding and shipping companies may not be sufficient to cover all future losses arising from these and other exposures. If the asset quality of the Issuer's exposures to such companies declines further, the Issuer may incur substantial additional provisions (including in connection with restructurings of such companies) and charge-offs, which could adversely impact its results of operations and financial condition. See "*—Risks Relating to the Issuer's Large Corporate Loan Portfolio—The Issuer has exposure to companies that are currently or may in the future be put in restructuring, and the Issuer may suffer losses as a result of additional loan loss provisions required and/or the adoption of restructuring plans with which it does not agree*." Furthermore, although a portion of the Issuer's credit exposures to construction, shipbuilding and shipping companies are secured by collateral, such collateral may not be sufficient to cover uncollectible amounts in respect of such credit exposures. See "*—Other Risks Relating to the Issuer's Business—A decline in the value of the collateral securing the Issuer's loans and the Issuer's inability to realise full collateral value may adversely affect its credit portfolio*."

Risks Relating to the Issuer's Strategy

Although increasing its fee income is an important part of the Issuer's strategy, the Issuer may not be able to do so.

The Issuer has historically relied on interest income as its primary revenue source. While the Issuer has developed new sources of fee income as part of its business strategy, the Issuer's ability to increase its fee income and thereby reduce its dependence on interest income will be affected by the extent to which the Issuer's customers generally accept the concept of fee-based services. Historically, customers in Korea have generally been reluctant to pay fees in return for value-added financial services, and their continued reluctance to do so will adversely affect the implementation of the Issuer's strategy to increase its fee income. Furthermore, the fees that the Issuer charges to customers are subject to regulation by Korean financial regulatory authorities, which may seek to implement regulations or measures that may also have an adverse impact on the Issuer's ability to achieve this aspect of the Issuer's strategy.

The Issuer may suffer customer attrition or the Issuer's net interest margin may decrease as a result of its competition strategy.

The Issuer has been pursuing, and intends to continue to pursue, a strategy of maintaining or enhancing its margins where possible and avoid, to the extent possible, entering into price competition. In order to execute this strategy, the Issuer will need to maintain relatively low interest rates on its deposit products while charging relatively higher rates on loans. If other banks and financial institutions adopt a strategy of expanding market share through interest rate competition, the Issuer may suffer customer attrition due to rate sensitivity. In addition, the Issuer may in the future decide to compete to a greater extent based on interest rates, which could lead to a decrease in its net interest margins. Any future decline in the Issuer's customer base or its net interest margins as a result of its future competition strategy could have an adverse effect on the Issuer's results of operations and financial condition.

Risks Relating to the Issuer's Competition

Competition in the Korean banking industry is intense, and the Issuer may lose market share and experience declining margins as a result.

Competition in the Korean banking industry has been and is likely to remain intense. Some of the banks that the Issuer competes with have greater financial resources or more specialised capabilities than the Issuer. In the retail and SME lending business, which has been the Issuer's traditional core business, competition has increased significantly and is expected to increase further. Most Korean banks have been focusing on retail customers and SMEs in recent years, although they have begun to generally increase their exposure to large corporate borrowers. In addition, the profitability of the Issuer's retail banking operations may decline as a result of growing market saturation in the retail lending segment, increased interest rate competition and higher marketing expenses. Intense and increasing competition has made and continues to make it more difficult for the Issuer to secure retail and SME customers with the credit quality and on credit terms necessary to achieve the Issuer's business objectives in a commercially acceptable manner.

In addition, the introduction of Internet-only banks in Korea is expected to increase competition in the Korean banking industry. Internet-only banks operate without branches and conduct most of their operations through electronic means, which enables them to minimise costs and offer customers higher interest rates on deposits or lower lending rates. In April 2017, K Bank, the first Internet-only bank in Korea, commenced operations. Kakao Bank, another Internet-only bank, in which the Issuer held a 9.4% equity interest as of December 31, 2020, commenced operations in July 2017. In December 2019, Toss Bank obtained a preliminary business authorization to operate as an Internet-only bank from the FSC and is expected to be granted final authorization by June 2021.

Moreover, the Issuer believes that regulatory reforms and the general modernisation of business practices in Korea will lead to increased competition among financial institutions in Korea. In the second half of 2015, the Government implemented measures to facilitate bank account portability of retail customers by requiring commercial banks to establish systems that allow retail customers to easily switch their bank accounts at one commercial bank to another and automatically transfer the automatic payment settings of their former accounts to the new ones. Such measures have further intensified competition among financial institutions in Korea. Moreover, in March 2016, the FSC introduced an individual savings account ("ISA") scheme in Korea, which enables individuals to efficiently manage a wide range of retail investment vehicles, including cash deposits, funds and securities investment products, from a single integrated account with one financial institution and offers tax benefits on investment returns. Since the Government-backed scheme allows only one ISA per person, financial institutions have been competing to retain existing customers and attract new customers since the launch of the ISA scheme. Over 30 financial institutions, including banks, securities companies and insurance companies, have registered with the FSC to sell their ISA products and competition among these financial institutions is expected to remain intense.

Furthermore, a number of significant mergers and acquisitions in the financial industry have taken place in Korea in recent years, including Hana Financial Group's acquisition of a controlling interest in Korea Exchange Bank in 2012 and the subsequent merger of Hana Bank into Korea Exchange Bank in 2015. In addition, as part of the Government's plans to privatise Woori Finance Holdings Co., Ltd. (the former financial holding company of Woori Bank), certain subsidiaries of Woori Finance Holdings were sold to other financial institutions and Woori Finance Holdings itself was merged into Woori Bank in 2014, which established a new financial holding company, Woori Financial Group Inc., in January 2019.

The Issuer expects that consolidation in the Korean financial industry may continue. The financial institutions resulting from such consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for the Issuer. The Issuer also believes that foreign financial institutions, many of which have greater experience and resources than the Issuer, may seek to compete with the Issuer in providing financial products and services either by themselves or in partnership with existing Korean financial institutions. Increased competition and continuing consolidation may lead to decreased margins, resulting in a material adverse impact on the Issuer's future profitability. Accordingly, the Issuer's results of operations and financial condition may suffer as a result of increasing competition in the Korean financial industry.

Risks Relating to the Issuer's Large Corporate Loan Portfolio

The Issuer has exposure to chaebols, and, as a result, financial difficulties of chaebols may have an adverse impact on the Issuer.

Of the Issuer's 20 largest corporate exposures (including loans, debt and equity securities and guarantees and acceptances) as of December 31, 2020 on a separate basis, nine were to companies that were members of the 28 largest highly-indebted business groups among *chaebols* in Korea designated as such by the FSS based on their outstanding exposures. As of that date, on a separate basis, the total amount of the Issuer's exposures to such largest highly-indebted business groups among *chaebols* was ₩21,212 billion, or 5.4% of the Issuer's total exposures. If the credit quality of the Issuer's exposures to *chaebols* declines as a result of financial difficulties they experience or for other reasons, the Issuer could require substantial additional loan loss provisions, which would hurt its results of operations and financial condition. See "*Assets and Liabilities—Loan Portfolio—Exposure to Chaebols.*"

The Issuer cannot provide assurance that the allowances it has established against these exposures will be sufficient to cover all future losses arising from these exposures. In addition, with respect to those companies that are in or in the future enter into workout or liquidation proceedings, the Issuer may not be able to make any recoveries against such companies. The Issuer may, therefore, experience future losses with respect to those loans.

The Issuer has exposure to companies that are currently or may in the future be put in restructuring, and the Issuer may suffer losses as a result of additional loan loss provisions required and/or the adoption of restructuring plans with which it does not agree.

As of December 31, 2020, on a separate basis, the Issuer's loans and guarantees to companies that were in workout, restructuring or rehabilitation amounted to ₩335 billion or 0.1% of the Issuer's total loans and guarantees, most of which were classified as impaired. As of the same date, on a separate basis, the Issuer's allowances for credit losses on these loans and guarantees amounted to ₩143 billion, or 42.7% of these loans and guarantees. These allowances may not be sufficient to cover all future losses arising from the Issuer's exposure to these companies. Furthermore, the Issuer has other exposure to such companies, in the form of debt and equity securities of such companies held by the Issuer (including equity securities the Issuer acquired as a result of debt-to-equity conversions). In addition, in the case of borrowers that are or become subject to workout or restructuring, the Issuer may be forced to restructure its credits pursuant to restructuring plans approved by other creditor financial institutions of the borrower, or to dispose of the Issuer's credits to other creditors on unfavourable terms.

In particular, as of December 31, 2020, on a separate basis, the Issuer had ₩63 billion of outstanding loans and ₩46 billion of outstanding guarantees (mainly in the form of refund guarantees relating to shipbuilding contracts), to Daewoo Shipbuilding & Marine Engineering Co., Ltd. ("DSME"), which has been pursuing a voluntary restructuring program.In April 2017, the creditors of DSME agreed on a plan to provide additional financial support to DSME in connection with its voluntary restructuring program, under which the Korea Development Bank and the Export-Import Bank of Korea would provide ₩2.9 trillion of new loans to DSME, on the condition that DSME's other creditors and bondholders agree to a ₩2.9 trillion debt-to-equity swap. The financial support plan required the Korean commercial bank creditors of DSME (including the Issuer) to swap 80% of their outstanding unsecured loans into equity of DSME and extend the maturity of the remaining loans for a period of five years. The financial support plan also requires DSME's creditors (including the Issuer) to provide additional refund guarantees in connection with future shipbuilding contracts of DSME. The implementation of the financial support plan for DSME has required and may continue to require the Issuer to increase its loan loss provisions and recognise write-offs and impairment losses with respect to its exposures to DSME and may therefore have a material adverse impact on the Issuer's results of operations and financial condition. Furthermore, there is no guarantee that the plan will be successful in ensuring the financial viability of DSME.

A large portion of the Issuer's credit exposure is concentrated in a relatively small number of large corporate borrowers, which increases the risk of the Issuer's corporate credit portfolio.

As of December 31, 2020, the Issuer's loans and guarantees to its 20 largest borrowers totalled ₩10,421 billion and accounted for 3.2% of the Issuer's total loans and guarantees. As of that date, the Issuer's single largest corporate credit exposure was to Mirae Asset Daewoo, to which the Issuer had outstanding loans and guarantees (all of which was in the form of loans in Won) of ₩900 billion, representing 0.3% of the Issuer's total loans and guarantees. Any deterioration in the financial condition of Mirae Asset Daewoo or the Issuer's other large corporate borrowers, including those in industries particularly affected by the COVID-19 pandemic to which the Issuer has exposures such as the transportation, food and beverage, hotel, leisure and shipping industries, and certain sectors of the manufacturing industry, may require the Issuer to record substantial additional provisions and charge-offs and may have a material adverse impact on its results of operations and financial condition.

Other Risks Relating to the Issuer's Business

The ongoing global pandemic of COVID-19 and any possible recurrence of other types of widespread infectious disease may adversely affect the Issuer's business, financial condition or results of operations.

COVID-19, an infectious disease caused by severe acute respiratory syndrome coronavirus 2, has spread globally and was declared a "pandemic" by the World Health Organization in March 2020. The global outbreak of COVID-19 has materially and adversely affected the global economy and financial markets as well as disrupted the Issuer's business operations.

Risks associated with a prolonged outbreak of COVID-19 or other types of widespread infectious diseases include:

- an increase in defaults on loan payments from the Issuer's customers that are particularly affected by the ongoing outbreak of the COVID-19 pandemic (such as those in the transportation, food and beverage, hotel, leisure and shipping industries and certain sectors of the manufacturing industry), who may not be able to meet payment obligations, which may lead to an increase in delinquency ratios and a deterioration in asset quality (see "*Assets and Liabilities—Loan Portfolio—Loan Concentration by Industry*");
- depreciation of the Won against major foreign currencies, which in turn may increase the Issuer's cost in servicing its foreign currency denominated debt and result in foreign exchange losses;
- disruption in the normal operations of the Issuer's business resulting from contraction of infectious disease by the Issuer's employees, which may necessitate the Issuer's employees to be quarantined and/or the Issuer's offices to be temporarily shut down;
- disruption resulting from the necessity for social distancing, including, for example, temporary arrangements for employees to work remotely, which may lead to a reduction in labor productivity; and
- impairments in the fair value of the Issuer's investments in companies that may be adversely affected by the pandemic.

COVID-19 has had a negative impact on the Issuer's results of operations in 2020 and may continue to do so in the future, and it is not possible to predict the duration or the full magnitude of the overall harm that may result from COVID-19 in the long term. In the event that COVID-19 or other types of widespread infectious diseases cannot be effectively and timely contained, the Issuer's business, financial condition and results of operations will likely suffer.

Unfavourable changes in the global financial markets could adversely affect the Issuer's results of operations and financial condition.

The overall prospects for the Korean and global economy in 2021 and beyond remain uncertain. In recent years, the global financial markets have experienced significant volatility as a result of, among other things:

- the occurrence of severe health epidemics, such as the ongoing COVID-19 pandemic;
- a deterioration in economic and trade relations between the United States and its major trading partners, including China;
- increased uncertainties resulting from the United Kingdom's exit from the European Union ("Brexit");
- financial and social difficulties affecting many countries worldwide, in particular in Latin America and Europe;
- escalations in trade protectionism globally and geopolitical tensions in East Asia and the Middle East;
- the slowdown of economic growth in China and other major emerging market economies;
- interest rate fluctuations as well as perceived or actual changes in policy rates by, or other monetary and fiscal policies set forth by, the U.S. Federal Reserve and other central banks; and

- political and social instability in various countries in the Middle East, including Syria, Iraq and Yemen.

In light of the high level of interdependence of the global economy, unfavourable changes in the global financial markets, including as a result of any of the foregoing developments, could have a material adverse effect on the Korean economy and financial markets. In addition, in certain circumstances of emergency affecting domestic and global economic conditions, the Government may impose certain restrictions or obligations on banks, including the Issuer, pursuant to the Foreign Exchange Transactions Act of Korea in an effort to stabilise the Korean economy. Such restrictions or obligations may also have a material adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer is also exposed to adverse changes and volatility in the global and Korean financial markets as a result of the Issuer's liabilities and assets denominated in foreign currencies and the Issuer's holdings of trading and investment securities, including structured products. The value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has fluctuated widely in recent years. A depreciation of the Won will increase the Issuer's cost in Won of servicing the Issuer's foreign currency-denominated debt, while continued exchange rate volatility may also result in foreign exchange losses for the Issuer. Furthermore, as a result of changes in global and Korean economic conditions, there has been volatility in securities prices, including the stock prices of Korean and foreign companies in which the Issuer holds an interest. Such volatility has resulted in and may lead to further trading and valuation losses on the Issuer's trading and investment securities portfolio as well as impairment losses on its investments accounted for under the equity method.

The Issuer's business may be materially and adversely affected by legal claims and regulatory actions against the Issuer.

The Issuer is subject to the risk of legal claims and regulatory actions in the ordinary course of its business, which may expose the Issuer to substantial monetary damages and legal costs, injunctive relief, criminal and civil penalties, sanctions against the Issuer's management and employees and regulatory restrictions on its operations, as well as significant reputational harm. See "*Business—Legal Proceedings*."

The Issuer is unable to predict the outcome of the legal claims and regulatory actions in which it is involved, and the scope of the claims or actions or the total amount in dispute in such matters may increase. Furthermore, adverse final determinations, decisions or resolutions in such matters could encourage other parties to bring related claims and actions against the Issuer. Accordingly, the outcome of current and future legal claims and regulatory actions, particularly those for which it is difficult to assess the maximum potential exposure or the ultimate adverse impact with any degree of certainty, may materially and adversely impact the Issuer's business, reputation, results of operations and financial condition.

The Issuer's risk management system may not be effective in mitigating risk and loss.

The Issuer seeks to monitor and manage its risk exposure through a broad risk management platform, encompassing a multi-layered risk management governance structure, reporting and monitoring systems, early warning systems, credit risk management systems for the Issuer's banking operations and other risk management infrastructure, using a variety of risk management strategies and techniques. See "*Risk Management*." However, such risk management strategies and techniques employed by the Issuer and the judgments that accompany their application cannot anticipate the economic and financial outcome in all market environments, and many of the Issuer's risk management strategies and techniques have a basis in historical market behaviour that may limit the effectiveness of such strategies and techniques in times of significant market stress or other unforeseen circumstances. Furthermore, the Issuer's risk management strategies may not be effective in a difficult or less liquid market environment, as other market participants may be attempting to use the same or similar strategies as the Issuer to deal with such market conditions. In such circumstances, it may be difficult for the Issuer to reduce its risk positions due to the activity of such other market participants.

Uncertainties regarding the possible discontinuation of the London Interbank Offered Rate ("LIBOR"), or any other interest rate benchmark could have adverse consequences for market participants, including the Issuer.

In March 2021, the U.K. Financial Conduct Authority (the "FCA"), which has regulatory authority with respect to LIBOR, announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative (i) after December 31, 2021 in the case of all sterling, euro, Swiss franc and Japanese yen settings and the one-week and two-month U.S. dollar settings and (ii) after June 30, 2023 in the case of the remaining U.S. dollar settings. While the ICE Benchmark Administration, the administrator of LIBOR, may publish certain LIBOR settings on the basis of a synthetic methodology for "tough legacy" contracts, there is no guarantee that such rates will be determined and published after the announced deadlines nor confirmed to be representative by the FCA. See "*—Risks Relating to the Notes—The Notes may have limited liquidity.*"

Given the extensive use of LIBOR across financial markets, the transition away from LIBOR presents various risks and challenges to financial markets and institutions, including the Issuer. As a commercial bank, the Issuer uses various financial products that reference LIBOR, including, among others, commercial loans, deposits, debts and debentures. The Issuer also enters into derivatives contracts in order to address the needs of its corporate clients to hedge their risk exposure as well as the need to hedge its own risk exposure that results from such client contracts. In February 2020, the Issuer assembled a task force team in order to assess, identify, monitor and manage risks that may arise from the potential discontinuation of LIBOR. As of the date of this Offering Circular, the Issuer is continuing to transition to alternative reference rates in order to gradually reduce its exposure to LIBOR. Specifically, the Issuer aims to amend its existing agreements to replace LIBOR with alternative reference rates by the third quarter of 2021, and to cease to use LIBOR as the reference rate in new agreements altogether by the end of 2021. The Issuer is also planning to minimize any negative impact that the cessation of LIBOR may have on its results of operations by adjusting its interest rates and deciding upon an appropriate interest rate benchmark.

If not sufficiently planned for, however, the discontinuation of LIBOR or any other interest rate benchmark could result in increased financial, operational, legal, reputational and/or compliance risks. For example, a significant challenge will be managing the impact of the LIBOR transition on the contractual mechanics of LIBOR-based financial instruments and contracts that mature after the announced deadlines. Certain of these instruments and contracts may not provide for alternative reference rates. Even if such instruments and contracts provide for alternative reference rates, such alternative reference rates are likely to differ from the prior benchmark rates and may require the Issuer to pay interest at higher rates on the related obligations, which could adversely impact the Issuer's interest expenses, results of operations and cash flows. For example, the Secured Overnight Financing Rate ("SOFR") has been identified by the Alternative Reference Rates Committee convened by the Board of Governors of the U.S. Federal Reserve System and the Federal Reserve Bank of New York as the preferred alternative benchmark reference rate for LIBOR and differs from LIBOR in many respects, including its basis on actual observed transactions in the U.S. Treasury market as opposed to LIBOR's usage of estimations of borrowing rates. While there are a number of international working groups focused on transition plans and the provision of fallback contract language that seek to minimize market disruption, replacement of LIBOR or any other benchmark with a new benchmark rate, such as SOFR, could adversely impact the value of and return on existing instruments and contracts. Moreover, replacement of LIBOR or other benchmark rates could result in market dislocations and have other adverse consequences for market participants, including the potential for increased costs, and litigation risks, including the potential for disputes with counterparties regarding the interpretation and enforceability of fallback contract language in LIBOR-based financial instruments and contracts.

The Issuer is generally subject to Korean corporate governance and disclosure standards, which may differ from those in other countries.

Companies in Korea, including the Issuer, are subject to corporate governance standards which may differ in some respects from standards applicable in other countries, including the United States. There may also be less publicly available information about Korean companies, such as the Issuer, than is regularly made available by public or non-public companies in other countries. Such differences in corporate governance standards and less public information could result in corporate governance practices or disclosures that are perceived as less than satisfactory by investors in certain countries.

A decline in the value of the collateral securing the Issuer's loans and the Issuer's inability to realise full collateral value may adversely affect its credit portfolio.

A substantial portion of the Issuer's loans is secured by real estate, the values of which have fluctuated significantly in recent years. Although it is the Issuer's general policy to lend up to 40% to 88% of the appraised value of collateral (except in areas of high speculation designated by the government where the Issuer generally limits its lending to between 10% to 60% of the appraised value of collateral) and to periodically re-appraise its collateral, a downturn in the real estate market in Korea may result in declines in the value of the collateral securing the Issuer's mortgage and home equity loans. If collateral values decline in the future, they may not be sufficient to cover uncollectible amounts in respect of the Issuer's secured loans. Any future declines in the value of the real estate or other collateral securing the Issuer's loans, or its inability to obtain additional collateral in the event of such declines, could result in a deterioration in the Issuer's asset quality and may require the Issuer to take additional loan loss provisions.

In Korea, foreclosure on collateral generally requires a written petition to a court. An application, when made, may be subject to delays and administrative requirements that may result in a decrease in the value realised with respect to such collateral. The Issuer cannot guarantee that it will be able to realise the full value on its collateral as a result of, among other factors, delays in foreclosure proceedings and defects in the perfection of its security interest in collateral. The Issuer's failure to recover the expected value of collateral could expose it to losses.

The secondary market for corporate bonds in Korea is not fully developed, and, as a result, the Issuer may not be able to realise the full book value of debt securities the Issuer holds at the time of any sale of such securities.

As of December 31, 2020, the Issuer held debt securities issued by Korean companies and financial institutions (other than those issued by the Government and government-owned or -controlled enterprises or financial institutions, including the Bank of Korea (the "BOK"), Korea Housing Finance Corporation, the Korea Development Bank, Industrial Bank of Korea, the Export-Import Bank of Korea, the Korea Deposit Insurance Corporation (the "KDIC") and Korea Land & Housing Corporation) with a total carrying amount of ₩24,836 billion in the Issuer's trading and investment securities portfolio. The market value of these securities could decline significantly due to various factors, including future increases in interest rates or a deterioration in the financial and economic condition of any particular issuer or of Korea in general. Any of these factors individually or a combination of these factors would require the Issuer to write down the fair value of these debt securities, resulting in impairment losses. Because the secondary market for corporate bonds in Korea is not fully developed, the market value of many of these securities as reflected on the Issuer's statements of financial position is determined by references to suggested prices posted by Korean rating agencies or the Korea Financial Investment Association. These valuations, however, may differ significantly from the actual value that the Issuer could realise in the event it elects to sell these securities. As a result, the Issuer may not be able to realise the full book value at the time of any such sale of these securities and thus may incur losses.

The Issuer may be required to make transfers from its general banking operations to cover shortfalls in its guaranteed trust accounts, which could have an adverse effect on its results of operations.

The Issuer manages a number of money trust accounts. Under Korean law, trust account assets of a bank are required to be segregated from the assets of that bank's general banking operations. Those assets are not available to satisfy the claims of a bank's depositors or other creditors of its general banking operations. For some of the trust accounts the Issuer manages, the Issuer has guaranteed either the principal amount of the investor's investment or the principal and a fixed rate of interest.

If, at any time, the income from the Issuer's guaranteed trust accounts is not sufficient to pay any guaranteed amount, the Issuer will have to cover the shortfall first from the special reserves maintained in these trust accounts, then from the Issuer's fees from such trust accounts and finally from funds transferred from the Issuer's general banking operations. As of December 31, 2020, the Issuer had ₩117 billion of special reserves in respect of trust accounts for which the Issuer provided guarantees of principal. There was no transfer from general banking operations to cover deficiencies in guaranteed trust accounts in 2018, 2019 and 2020. However, the Issuer may be required to make transfers from its general banking operations to cover shortfalls, if any, in its guaranteed trust accounts in the future. Such transfers may adversely impact the Issuer's results of operations.

The Issuer's operations have been, and will continue to be, subject to increasing and continually evolving cyber security and other technological risks.

With the proliferation of new technologies and the increasing use of the Internet and mobile devices to conduct financial transactions, the Issuer's operations as a large financial institution have been, and will continue to be, subject to an increasing risk of cyber incidents relating to these activities, the nature of which is continually evolving. The Issuer's computer systems, software and networks are subject to cyber incidents, such as disruptions, delays or other difficulties from its information technology system, computer viruses or other malicious codes, loss or destruction of data (including confidential client information), unauthorised access, account takeover attempts and cyber attacks. A significant portion of the Issuer's daily operations relies on its information technology systems, including customer service, billing, the secure processing, storage and transmission of confidential and other information as well as the timely monitoring of a large number of complex transactions. Although the Issuer has made substantial and continual investments to build systems and defences to address cyber security and other technological risks, there is no guarantee that such measures or any other measures can provide adequate security. In addition, because methods used to cause cyber attacks change frequently or, in some cases, are not recognised until launched, the Issuer may be unable to implement effective preventive measures or proactively address these methods. Furthermore, these cyber threats may arise from human error, accidental technological failure and third parties with whom the Issuer does business. Although the Issuer maintains insurance coverage that may cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses. If the Issuer were to be subject to a cyber incident, it could result in the disclosure of confidential client information, damage to its reputation with its customers and in the market, customer dissatisfaction, additional costs to the Issuer, regulatory penalties, exposure to litigation and other financial losses to both the Issuer and its customers, which could have an adverse effect on the Issuer's business and results of operations.

Risks Relating to the Issuer's Liquidity and Capital Management

A considerable increase in interest rates could decrease the value of the Issuer's debt securities portfolio and raise its funding costs while reducing loan demand and the repayment ability of its borrowers, which, as a result, could adversely affect the Issuer.

Interest rates in Korea have been subject to significant fluctuations in recent years. After the BOK reduced its policy rate to 1.50% in 2015 and again to 1.25% in June 2016 amid deflationary concerns and interest rate cuts by central banks around the world, it increased its policy rate to 1.50% in November 2017 and 1.75% in November 2018 in light of improved growth prospects in Korea and rising interest rate levels globally. However, the BOK again lowered its policy rate to 1.50% in July 2019 and to 1.25% in October 2019 in order to address the sluggishness of the global and domestic economy. Subsequently, the BOK further lowered its policy rate to 0.75% in March 2020 and to 0.50% in May 2020 in response to deteriorating economic conditions resulting from the ongoing global outbreak of the COVID-19 pandemic. All else being equal, an increase in interest rates in the future could lead to a decline in the value of the Issuer's portfolio of debt securities, which generally pay interest based on a fixed rate. A sustained increase in interest rates will also raise the Issuer's funding costs, while reducing loan demand, especially among retail borrowers. Rising interest rates may therefore require the Issuer to re-balance its asset portfolio and its liabilities in order to minimise the risk of potential mismatches and maintain its profitability.

In addition, rising interest rate levels may adversely affect the Korean economy and the financial condition of the Issuer's corporate and retail borrowers, which in turn may lead to a deterioration in the Issuer's credit portfolio. In particular, since most of the Issuer's retail and corporate loans bear interest at rates that adjust periodically based on prevailing market rates, a sustained increase in interest rate levels will increase the interest costs of the Issuer's retail and corporate borrowers and could adversely affect their ability to make payments on their outstanding loans.

The Issuer's funding is highly dependent on short-term deposits, which dependence may adversely affect the Issuer's operations.

The Issuer meets a significant amount of its funding requirements through short-term funding sources, which consist primarily of customer deposits. As of December 31, 2020, 96.1% of the Issuer's deposits had maturities of one year or less or were payable on demand. In the past, a substantial proportion of the Issuer's customer deposits have been rolled over upon maturity. The Issuer cannot guarantee, however, that depositors will continue to roll over their deposits in the future. In the event that a substantial number of the Issuer's short-term deposit customers withdraw their funds or fail to roll over their deposits as higher-yielding investment opportunities emerge, the Issuer's liquidity position could be adversely affected. The Issuer may also be required to seek more expensive sources of short-term and long-term funding to finance its operations.

The Issuer may be required to raise additional capital if its capital adequacy ratio deteriorates or the applicable capital requirements change in the future, but the Issuer may not be able to do so on favourable terms or at all.

Under the capital adequacy requirements of the FSC, as of December 31, 2020, the Issuer was required to maintain a total minimum common equity Tier I capital adequacy ratio of 8.0%, Tier I capital adequacy ratio of 9.5% and combined Tier I and Tier II capital adequacy ratio of 11.5%, on a consolidated basis (including applicable additional capital buffers and requirements as described below). As of December 31, 2020, the Issuer's common equity Tier I capital, Tier I capital and combined Tier I and Tier II capital adequacy ratios were 15.10%, 15.42% and 17.78%, respectively, all of which exceeded the minimum levels required by the FSC. However, the Issuer's capital base and capital adequacy ratios may deteriorate in the future if its results of operations or financial condition deteriorates for any reason, including as a result of a deterioration in the asset quality of the Issuer's retail loans and loans to SMEs, or if the Issuer is not able to deploy its funding into suitably low-risk assets.

The current capital adequacy requirements of the FSC are derived from a new set of bank capital measures, referred to as Basel III, which the Basel Committee on Banking Supervision initially introduced in 2009 and began phasing in starting from 2013. Commencing in July 2013, the FSC promulgated a series of amended regulations implementing Basel III, pursuant to which Korean banks and bank holding companies were required to maintain a minimum ratio of common equity Tier I capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. The amended regulations also require an additional capital conservation buffer of 2.5% from January 2019, as well as a potential counter-cyclical capital buffer of up to 2.5%, which is determined on a quarterly basis by the FSC. Since March 2016, the FSC has maintained countercyclical capital buffer requirements at 0%, and the FSC has maintained the countercyclical capital buffer requirement at 0% for the first quarter of 2021. Furthermore, the Issuer was designated as one of the domestic systemically important banks for 2020 by the FSC and was subject to an additional capital requirement of 1.0% in 2020. In June 2020, the Issuer was again designated as a domestic systemically important bank for 2021, which would again subject the Issuer to the same additional capital requirement of 1.0% in 2021. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets. The implementation of Basel III in Korea may have a significant effect on the capital requirements of Korean financial institutions, including the Issuer. See "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Capital Adequacy.*"

The Issuer may be required to obtain additional capital in the future in order to remain in compliance with more stringent capital adequacy and other regulatory requirements. However, the Issuer may not be able to obtain additional capital on favourable terms, or at all. The Issuer's ability to obtain additional capital at any time may be constrained to the extent that banks or other financial institutions in Korea or from other countries are seeking to raise capital at the same time. To the extent that the Issuer fails to comply with applicable capital adequacy ratio or other regulatory requirements in the future, Korean regulatory authorities may impose penalties on the Issuer ranging from a warning to suspension or revocation of the Issuer's banking licence.

Reductions in the Issuer's credit ratings could, among other things, increase the cost of borrowing funds and may adversely impact the Issuer's ability to raise new funds or refinance maturing debt on commercially acceptable terms.

Credit ratings are an indicator of the Issuer's financial and liquidity profile. Among other factors, the Issuer's credit ratings are based on its financial strength, the credit quality of and concentrations in the Issuer's loan portfolio, the level and volatility of its earnings, its capital adequacy, the quality of its management, the liquidity of its balance sheet, the availability of a significant base of core and retail deposits, and its ability to access a broad range of funding sources. Any reduction in the Issuer's credit ratings could adversely affect its liquidity and competitive position, increase its borrowing costs, and limit its access to the capital markets and funding sources on commercially acceptable terms. Such events could adversely affect the Issuer's financial condition and results of operations. A reduction in the Issuer's ratings could also adversely affect the ratings of the Notes.

Risks of the Issuer Relating to Government Regulation and Policy

Strengthening of consumer protection laws applicable to financial institutions could adversely affect the Issuer's operations.

As a financial service provider, the Issuer is subject to a variety of regulations in Korea that are designed to protect financial consumers. In recent years, in light of heightened public concern regarding privacy issues, the Government has placed greater emphasis on the protection of personal information by financial institutions and has implemented a number of measures to enhance consumer protection, including considerable restrictions on the transfer or provision of personal information by financial institutions to their affiliates or holding company. Under the Personal Information Protection Act, financial institutions, as personal information managers, may not collect, store, maintain, utilise or provide resident registration numbers of their customers, unless other laws or regulations specifically require or permit the management of resident registration numbers. In addition, under the Use and Protection of Credit Information Act, a financial institution has a higher duty to protect all information that it collects from its customers and is required to treat such information as credit information. There are considerable restrictions on the transfer or provision of information by financial institutions to their affiliates or holding company. Treble damages may be imposed on a financial institution for leakage of such information. Furthermore, under the Electronic Financial Transaction Act, a financial institution is primarily responsible for compensating its customers harmed by a cyber security breach affecting the financial institution even if the breach is not directly attributable to the financial institution.

Under the Financial Consumer Protection Act, which was newly enacted in March 2020, banks, as financial instrument distributors, are subject to heightened investor protection measures, including stricter distribution guidelines, improved financial dispute resolution procedures, increased liability for customer losses and newly imposed penalty surcharges starting in March 2021. Following the enactment of the Financial Consumer Protection Act, financial regulators have published subordinate regulations to such Act, including the Enforcement Decree, Supervisory Regulations and Enforcement Rules to the Supervisory Regulations governing consumer protection within the financial industry. However, there are still uncertainties regarding the interpretation and application of the Act. The Financial Services Commission has recognized these uncertainties and has announced that it would provide further guidance to financial companies and financial consumers in the six months following March 25, 2021.

These and other measures that may be implemented by the Government to strengthen consumer protection laws applicable to financial institutions may limit the Issuer's operational flexibility and cause the Issuer to incur significant additional compliance costs, as well as subject the Issuer to increased potential liability to its customers, which could adversely affect the Issuer's business and performance.

The Government may promote lending and financial support by the Korean financial industry to certain types of borrowers as a matter of policy, which financial institutions, including the Issuer, may decide to follow.

Through its policies and recommendations, the Government has promoted and, as a matter of policy, may continue to attempt to promote lending by the Korean financial industry to particular types of borrowers. For example, the Government has in the past provided and may continue to provide policy loans, which encourage lending to particular types of borrowers. The Government has generally done this by identifying sectors of the economy it wishes to promote and making low interest funding available to financial institutions that may voluntarily choose to lend to these sectors. All loans or credits the Issuer chooses to make pursuant to these policy loans would be subject to review in accordance with its credit approval procedures. However, the availability of policy loans may influence the Issuer to lend to certain sectors or in a manner in which it otherwise would not have done in the absence of such loans from the Government.

In the past, the Government has also announced policies under which financial institutions in Korea are encouraged to provide financial support to particular sectors. For example, in light of the deteriorating financial condition and liquidity position of SMEs in Korea and adverse conditions in the Korean economy affecting such enterprises, the Government introduced measures intended to encourage Korean banks to provide financial support to SMEs and retail borrowers, including guidelines for Korean banks to extend loan terms and defer interest payments with respect to small- and medium-sized enterprises and SOHOs affected by the COVID-19 pandemic. See "*—Risks Relating to the Issuer's Retail Credit Portfolio—Future changes in market conditions as well as other factors may lead to increases in delinquency levels of the Issuer's retail loan portfolio*" and "*—Risks Relating to the Issuer's Small- and Medium-Sized Enterprise (SME) Loan Portfolio—The Issuer has significant exposure to SMEs, and any financial difficulties experienced by these customers may result in a deterioration of the Issuer's asset quality and have an adverse impact on the Issuer.*" The Government may in the future request financial institutions in Korea, including the Issuer, to make investments in or provide other forms of financial support to particular sectors of the Korean economy as a matter of policy, which financial institutions, including the Issuer, may decide to accept. The Issuer may incur costs or losses as a result of providing such financial support.

The FSC may impose burdensome measures on the Issuer if the FSC deems the Issuer to be financially unsound.

If the FSC deems the Issuer's financial condition to be unsound, or if the Issuer fails to meet applicable regulatory standards, such as minimum capital adequacy and liquidity ratios, the FSC may order or recommend, among other things:

- capital increases or reductions;
- stock cancellations or consolidations;
- transfers of businesses;
- sale of assets;
- closures of subsidiaries or branch offices;
- mergers with other financial institutions; and
- suspensions of a part of the Issuer's business operations.

If any of these measures is imposed on the Issuer by the FSC, it could damage the Issuer's business, results of operations and financial condition.

Risks Relating to Korea

Escalations in tensions with North Korea could have an adverse effect on the Issuer and the market value of the Notes.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and ballistic missile programs as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted six rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs, which are more powerful than plutonium bombs, and warheads that can be mounted on ballistic missiles. Over the years, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In February 2016, the Government also closed the inter-Korea Gaesong Industrial Complex in response to North Korea's fourth nuclear test in January 2016. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea, most recently in December 2017 in response to North Korea's intercontinental ballistic missile test in November 2017. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.

- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.
- In August 2015, two Korean soldiers were injured in a landmine explosion while on routine patrol of the southern side of the demilitarized zone. Claiming the landmines were set by North Koreans, the Korean army re-initiated its propaganda program toward North Korea utilizing loudspeakers near the demilitarized zone. In retaliation, the North Korean army fired artillery rounds on the loudspeakers, resulting in the highest level of military readiness for both sides. High-ranking officials from North Korea and Korea subsequently met for discussions intending to diffuse military tensions and released a joint statement whereby, among other things, North Korea expressed regret over the landmine explosions that wounded the Korean soldiers.
- In March 2013, North Korea stated that it had entered "a state of war" with Korea, declaring the 1953 armistice invalid, and put its artillery at the highest level of combat readiness to protest the Korea-United States allies' military drills and additional sanctions imposed on North Korea for its missile and nuclear tests.
- On June 16, 2020, North Korea destroyed the joint liaison office in Kaesong, citing anti-regime propaganda allegedly disseminated using balloons across the border by Korean activists, and cut all other communication channels with Korea.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea. Although bilateral summit meetings were held between Korea and North Korea in April, May and September 2018 and between North Korea and the United States in June 2018, February 2019 and June 2019, there can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future. Any increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea or between the United States and North Korea break down or military hostilities occur, could have a material adverse effect on the Korean economy and on the Issuer's business, financial condition and results of operations and the market price and ratings of the Notes.

Unfavourable financial and economic developments in Korea may have an adverse effect on the Issuer.

The Issuer is incorporated in Korea, and substantially all of its operations are located in Korea. As a result, the Issuer is subject to political, economic, legal and regulatory risks specific to Korea, and the Issuer's performance and successful fulfilment of its operational strategies are dependent to a large extent on the overall Korean economy. The economic indicators in Korea in recent years have shown mixed signs, and starting in early 2020, the overall Korean economy has shown signs of deterioration due to the debilitating effects of the ongoing global outbreak of the COVID-19 pandemic on the Korean economy as well as on the economies of Korea's major trading partners. See "*—Other Risks Relating to the Issuer's Business—The ongoing global pandemic of COVID-19 and any possible recurrence of other types of widespread infectious disease may adversely affect the Issuer's business, financial condition or* *results of operations*." As a result, future growth of the Korean economy is subject to many factors beyond the Issuer's control, including developments in the global economy.

In recent years and in 2020, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the increasing weakness of the global economy have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. See "*—Other Risks Relating to the Issuer's Business—Unfavourable changes in the global financial markets could adversely affect the Issuer's results of operations and financial condition*." The value of the Won relative to major foreign currencies has also fluctuated significantly and, as a result of deteriorating global and Korean economic conditions, there recently has been significant volatility in the stock prices of Korean companies. Further declines in the Korea Composite Stock Price Index (the "KOSPI"), and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies to raise capital. Any future deterioration of the Korean or global economy could adversely affect the Issuer's business, financial condition and results of operations.

Developments that could have an adverse impact on Korea's economy include:

- declines in consumer confidence and a slowdown in consumer spending in the Korean or global economy;
- the occurrence of severe health pandemics, such as the ongoing global outbreak of the COVID-19 pandemic, or other severe health epidemics in Korea or other parts of the world, such as the Middle East Respiratory Syndrome outbreak in Korea in 2015;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy, in particular the ongoing trade disputes with Japan;
- adverse conditions or developments in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere, including as a result of deteriorating economic and trade relations between the United States and China and increased uncertainties resulting from Brexit;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, Euro or Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates, inflation rates or stock markets;
- increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and SME borrowers in Korea;
- a deterioration in the financial condition or performance of SMEs and other companies in Korea due to the Government's policies to increase minimum wages and limit working hours of employees;
- investigations of large Korean business groups and their senior management for possible misconduct;
- social and labour unrest;
- substantial decreases in the market prices of Korean real estate;
- a decrease in tax revenues or a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs, particularly in light of the Government's ongoing efforts to provide emergency relief payments to households and emergency loans to corporations in need of funding due to the COVID-19 pandemic, which, together, may lead to an increased Government budget deficit;
- financial problems or lack of progress in the restructuring of *chaebols*, other large troubled companies, their suppliers or the financial sector;

- loss of investor confidence arising from corporate accounting irregularities or corporate governance issues at certain *chaebols*;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- the economic impact of any pending or future free trade agreements or of any changes to existing free trade agreements;
- geo-political uncertainty and the risk of further attacks by terrorist groups around the world;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities or political or social tensions involving oil-producing countries in the Middle East (including a potential escalation of hostilities between the United States and Iran) and Northern Africa and any material disruption in the supply of oil or sudden increase in the price of oil;
- increased reliance on exports to service foreign currency debts, which could cause friction with Korea's trading partners;
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States; and
- changes in financial regulations in Korea.

Labour unrest in Korea may adversely affect the Issuer's operations.

Economic difficulties in Korea or increases in corporate reorganisations and bankruptcies could result in layoffs and higher unemployment. Such developments could lead to social unrest and substantially increase government expenditures for unemployment compensation and other costs for social programs. According to statistics from the Korea National Statistical Office, the unemployment rate increased from 3.8% in 2018 and 2019 to 4.0% in 2020. Further increases in unemployment and any resulting labour unrest in the future could adversely affect the Issuer's operations, as well as the operations of many of the Issuer's customers and their ability to repay their loans, and could adversely affect the financial condition of Korean companies in general, depressing the price of their securities. These developments would likely have an adverse effect on the Issuer's financial condition and results of operations.

Risks Relating to the Notes

The Notes are unsecured obligations.

Because the Notes are unsecured obligations, their repayment may be compromised if:

- the Issuer enters into bankruptcy, liquidation, reorganization or other winding-up proceedings;
- there is a default in payment under the Issuer's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's indebtedness.

If any of these events occurs, the Issuer's assets may not be sufficient to pay amounts due on any of the Notes.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to QIBs in reliance on the exemption provided by Rule 144A, to certain persons in offshore transactions in reliance on Regulation S, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. For a further discussion of the transfer restrictions applicable to the Notes, see "*Subscription and Sale and Transfer and Selling Restrictions*."

The Notes may have limited liquidity.

Any Notes issued under the Programme will constitute a new issue of securities for which there is no existing market. Approval in-principle has been received from the Singapore Stock Exchange in connection with the Programme and application will be made for the listing and quotation of any Notes that may be issued under the Programme and which are agreed, at or prior to the time of issue thereof, to be listed and quoted on the Singapore Stock Exchange. The offer and sale of the Notes is not conditional on obtaining a listing and quotation of the Notes on the Singapore Stock Exchange or any other exchange.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- the Issuer's results of operations, financial condition and credit ratings;
- political and economic developments in and affecting Korea;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean financial sector.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks."

Interest rates and indices which are deemed to be or used as "benchmarks" are the subject of recent international regulatory guidance and proposals for reform, particularly in the United Kingdom. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. Regulation (EU) 2016/1011 (the "Benchmarks Regulation") was published in the Official Journal of the EU on June 29, 2016 and applies from January 1, 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that apply from June 30, 2016 and July 3, 2016). The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorized or registered (or, if non-EU based, not deemed equivalent or recognized or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international reforms, particularly in the United Kingdom or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. See "*—Uncertainties regarding the possible discontinuation of the London Interbank Offered Rate ("LIBOR"), or any other interest rate benchmark could have adverse consequences for market participants, including the Issuer.*" The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including, but not limited to, floating rate Notes whose interest rates are linked to LIBOR). Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark; or (iii) lead to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international reforms, particularly in the United Kingdom or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any other international reforms, particularly in the United Kingdom, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) (as defined below).

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and/or a sub-custodian for the HKMA as operator of the CMU and/or DTC (each of Euroclear, Clearstream, Luxembourg, the CMU and DTC, a "Clearing System"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

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

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

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green," "social" or "sustainability," and therefore no assurance can be provided to potential investors that the Green Eligible Categories, Social Eligible Categories or a combination of the two categories (in the case of Sustainability Bonds) will continue to meet the relevant eligibility criteria. Although applicable green projects, social projects or sustainability projects are expected to be selected in accordance with the categories recognized by the ICMA Green Bond Principles, the ICMA Social Bond

Principles or the ICMA Sustainability Bond Guidelines and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects, social projects or sustainability projects. Where any negative impacts are insufficiently mitigated, green projects, social projects or sustainability projects may become controversial, and/or may be criticized by activist groups or other stakeholders.

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

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

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

Subordinated Notes have only limited rights of acceleration.

Subordinated Notes (as defined in Condition 3(b) of the Terms and Conditions of the Notes) are subordinated obligations of the Issuer. Payments on Subordinated Notes are subordinated in right of payment upon the occurrence of a Subordination Event (as defined in Condition 3(c) of the Terms and Conditions of the Notes) to the prior payment in full of all deposits and other liabilities of the Issuer, except those liabilities which rank equally with or junior to Subordinated Notes. As a consequence of these subordination provisions, if any of such events should occur, the holders of Subordinated Notes may recover proportionately less than the holders of the Issuer's deposit liabilities or the creditors with respect to its other unsubordinated liabilities.

Only those events described herein regarding the Issuer's bankruptcy or liquidation will permit a holder of a Subordinated Note to accelerate payment of such Subordinated Notes. In such event, the only action the holder may take in Korea against the Issuer is to make a claim in the Issuer's liquidation or other applicable proceeding. Furthermore, if the Issuer's indebtedness were to be accelerated, its assets may be insufficient to repay in full borrowings under its debt instruments, including Subordinated Notes.

In addition, subject to complying with applicable regulatory requirements in respect of the Issuer's leverage and capital ratios and the restrictions set forth in the Issuer's articles of incorporation, there is no restriction on the amount or type of other securities or indebtedness that the Issuer may issue or incur, as the case may be, that rank senior to, or *pari passu* with, Subordinated Notes. The issue of any such other securities or the incurrence of any such other indebtedness may reduce the amount, if any, recoverable by holders of Subordinated Notes on a liquidation or winding-up of the Issuer. The issue of any such other securities or the incurrence of any such other indebtedness may also have an adverse impact on the market price of Subordinated Notes and the ability of holders to sell Subordinated Notes.

Subordinated Notes may be fully written off upon the occurrence of a trigger event, in which case holders of such Notes will lose all of their investment.

Subordinated Notes are subject to the loss absorption provisions in Condition 3(d) of the Terms and Conditions of the Notes. Pursuant to such provisions, the Issuer will irrevocably effect a full write-off of the outstanding principal amount and accrued but unpaid interest on Subordinated Notes (without the need for the consent of the holders) upon the occurrence of a trigger event tied to the performance and viability of the Issuer. A trigger event would occur upon the designation of the Issuer as an "insolvent financial institution" pursuant to the Act on Structural Improvement of the Financial Industry.

Under Article 2 of the Act on Structural Improvement of the Financial Industry, an "insolvent financial institution" is defined as a financial institution that is:

- determined by Korea's Financial Services Commission (the "FSC") or the Deposit Insurance Committee (the "DIC") established within the Korea Deposit Insurance Corporation (the "KDIC"), based on an actual survey of such financial institution's business operations, as (i) having liabilities that exceed its assets (each as valued and calculated in accordance with standards established by the FSC), or (ii) facing apparent difficulty in its normal operations because its liabilities exceed its assets (each as valued and calculated in accordance with standards established by the FSC) as a result of the occurrence of a major financial scandal or the accrual of non-performing loans;
- subject to a suspension of payments of claims (including deposits) or repayments of money borrowed from other financial institutions; or
- determined by the FSC or the DIC to be unable to make payments of claims (including deposits) or repayments of money borrowed, without external support or additional borrowings (other than borrowings accruing from ordinary course financial transactions).

In the event that Subordinated Notes are written off, such written-off amounts are irrevocably lost and will not be restored under any circumstances, including where the trigger event ceases to continue, and holders of Subordinated Notes will cease to have any claims for any principal amount and accrued but unpaid interest on Subordinated Notes. See "*Terms and Conditions of the Notes—Status of the Notes—Loss Absorption upon a Trigger Event in respect of Subordinated Notes*."

Potential investors should consider the risk that, due to the existence of such loss absorption features, a holder of Subordinated Notes may lose all of its investment in such Subordinated Notes in the event that a trigger event occurs.

The applicable Korean laws and regulations relating to the trigger event and loss absorption features of capital instruments like Subordinated Notes are relatively new and have yet to be tested. There is considerable uncertainty as to the circumstances under which the relevant Korean regulatory authorities will decide to effect a trigger event with respect to a particular financial institution. The occurrence of a trigger event with respect to the Issuer is therefore inherently unpredictable and is subject to factors that are outside the control of the Issuer, which will make it difficult for investors to anticipate when, if at all, a write-off of Subordinated Notes will take place. Accordingly, the trading behavior with respect to Subordinated Notes may not follow trading behavior associated with other types of securities of the Issuer or other issuers. Any indication that the Issuer is trending towards a possible trigger event could have a material adverse effect on the market price of Subordinated Notes. A potential investor should not invest in Subordinated Notes unless it has knowledge and expertise to evaluate how Subordinated Notes will perform under changing market conditions and the resulting effect on the likelihood of a write-off and on the market value of Subordinated Notes.

Under Article 38 of the Depositor Protection Act, the KDIC (upon a resolution by the DIC) may provide financial assistance to an insured financial company (such as the Issuer) or a financial holding company which controls such insured financial company that becomes an "insolvent or similar financial company" (including an "insolvency-threatened financial company") in the following circumstances: (i) there is a request to the KDIC for financial support in merging, receiving business transfer from, or receiving assignment of agreement from an insolvent or similar financial institution or from a financial holding company holding such institution or such financial assistance is deemed necessary for an orderly merger or certain other proceedings of an insolvent or similar financial institution, (ii) the improvement of the financial structure of such company is deemed necessary for the protection of depositors and the preservation of order in credit transactions or (iii) there is a request from the FSC pursuant to Article 12(1) of the Act on Structural Improvement of the Financial Industry in consideration of the fact that the insolvent or similar financial institution can no longer continue its business due to deteriorated financial structure. An "insolvency-threatened financial company" is defined under Article 2 of the Depositor Protection Act as a financial company determined by the DIC as having a high possibility of becoming an insolvent financial company due to its weak financial standing. The financial assistance to be provided can take the form of a loan or deposit of funds, a purchase of assets, a guarantee or assumption of obligations and an equity injection or contribution.

In addition, under Article 8 of the Act on Structural Improvement of the Financial Industry, if the financial institution which is in financial trouble but not yet designated as the insolvent financial institution voluntarily merges with another financial institution for the improvement of its financial structure, the Government may provide financial assistance to the merged financial institution through: (i) the KDIC, (ii) the purchase by the Government's Public Capital Management Fund of certain securities held or issued by the merged financial institution (such as bonds issued by the Government or local governments or bonds guaranteed by the Government or subordinated notes issued by the merged financial institution), and (iii) a capital injection by the Government of state-owned assets into the merged financial institution.

The Government has in the past also taken measures to support the capital position of Korean banks in times of stress to the Korean financial system and economy. For example, in response to the global financial crisis commencing in 2008, the Government established a ₩20 trillion bank recapitalization fund in 2009, based on a ₩10 trillion contribution from the Bank of Korea, a ₩2 trillion contribution from the Korea Development Bank and ₩8 trillion of contributions from institutional and retail investors. The bank recapitalization fund provided capital support to the Korean banking sector by purchasing an aggregate of approximately ₩4 trillion of hybrid capital securities and subordinated notes issued by eight Korean financial institutions, including the Issuer.

In light of the size and scale of the Issuer and its relative importance to the Korean banking system, it is possible that, prior to the occurrence of a trigger event that leads to a write-off of Subordinated Notes, the Issuer will be classified as an insolvency-threatened financial company and receive some form of financial assistance from the KDIC, or that the Government will decide to provide other forms of financial assistance or capital support to the Issuer. However, since the provision of any such financial assistance or capital support would be at the discretion of the KDIC or the Government, as applicable, there is no guarantee that the Issuer will receive any financial assistance or capital support prior to the occurrence of a trigger event or that any such financial assistance or capital support received by the Issuer will be sufficient to prevent the occurrence of a trigger event leading to a write-off of Subordinated Notes.

Holders of the Notes will have no creditor objection rights in connection with any future merger, spin-off or other similar transaction of the Issuer.

Under the Korean Commercial Code, a Korean company that has resolved to merge with another entity or engage in a spin-off or other similar transaction is required to provide notice of the impending transaction to its creditors and, if any creditor raises an objection to the relevant transaction during the applicable creditor objection period, either repay the relevant debt owed to such creditor or provide adequate collateral to secure such debt. However, pursuant to Condition 3(c) of the Terms and Conditions of the Notes, holders of Subordinated Notes will be deemed to have waived, and agreed not to exercise, any such creditor objection rights that may arise in connection with such a transaction of the

Issuer. Accordingly, holders of the Notes will have no creditor objection rights in connection with any such future transaction of the Issuer.

The Notes may be redeemed by the Issuer in certain circumstances.

The Notes may be redeemed at the option of the Issuer, in whole but not in part, on any of the optional redemption dates specified in this Offering Circular at their outstanding principal amount together (if applicable) with interest accrued to (but excluding) the date of redemption. Furthermore, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at their outstanding principal amount together (if applicable) with interest accrued to (but excluding) the date of redemption, upon the occurrence of certain changes in applicable tax laws and regulations which (i) require the Issuer to pay additional amounts on payments of principal and interest in respect of the Notes due to withholding or deduction required by law, or (ii) in the case of Tier I Subordinated Notes (as defined under Condition 3(b)(ii) of the Terms and Conditions of the Notes), cause the Issuer to no longer be entitled to claim a deduction in respect of interest paid on the Tier I Subordinated Notes for purposes of Korean corporation tax. In addition, the Tier I Subordinated Notes may be redeemed by the Issuer, in whole but not in part, at their outstanding principal amount together (if applicable) with interest accrued to (but excluding) the date of redemption, upon the occurrence of a regulatory event that would cause the Tier I Subordinated Notes to no longer qualify as additional Tier I capital of the Issuer. Such redemptions at the option of the Issuer are subject to necessary prior approval by the FSS or such other relevant regulatory authorities in Korea. See "*Terms and Conditions of the Notes—Redemption and Purchase*."

Accordingly, holders of the Notes should not rely on being able to hold the Notes until their maturity date. The date on which the Issuer elects to redeem the Notes may not align with the preference of holders of the Notes, and such election by the Issuer may be disadvantageous to holders of the Notes in light of market conditions or the individual circumstances of such holders. In addition, if the Notes are redeemed prior to their maturity date (if any), there is no guarantee that the holders of the Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as the investment in the Notes.

Tier I Subordinated Notes have no fixed maturity date, and holders of such Notes have no right to call for redemption of such Notes.

The Tier I Subordinated Notes are undated perpetual securities and accordingly have no fixed final maturity date. Subject to the subordination provisions of Condition 3(c) of the Terms and Conditions of the Notes, the principal amount of the Tier I Subordinated Notes will become due and payable by the Issuer on the date on which voluntary or involuntary winding-up proceedings are instituted in respect of the Issuer in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the Issuer's articles of incorporation or (iii) any applicable law or any decision of any judicial or administrative authority. In addition, the holders of Tier I Subordinated Notes have no right to call for the redemption of the Tier I Subordinated Notes. Although the Issuer may redeem the Tier I Subordinated Notes at its option on any of the optional redemption dates specified in the applicable Pricing Supplement or at any time for certain tax or regulatory reasons, there are limitations on redemption of the Tier I Subordinated Notes, including a requirement to obtain the necessary prior approval of the FSS or such other relevant regulatory authorities in Korea. See "*Terms and Conditions of the Notes—Redemption and Purchase*." Accordingly, there is no guarantee as to whether or when the Tier I Subordinated Notes will be redeemed.

Interest payments on the Tier I Subordinated Notes are discretionary and are not cumulative.

The rate of interest applicable to the Tier I Subordinated Notes may be subject to reset periodically, based on the prevailing base rate plus the spread as specified in the applicable Pricing Supplement. Furthermore, interest on Tier I Subordinated Notes may not be paid in full, or at all. The Issuer may elect, in its sole discretion, to not pay any interest, or to pay only partial interest, on Tier I Subordinated Notes on any interest payment date for any reason. In addition, Tier I Subordinated Notes will not bear any interest, and any interest payable on Tier I Subordinated Notes on any interest payment date will not be paid, during an interest cancellation period, which will be triggered upon the issuance of a management improvement recommendation, a management improvement requirement or a management improvement order, or the imposition of emergency measures, by the FSC against the Issuer.

Article 36 of the Regulation on Supervision of Banking Business provides that the FSC shall issue a management improvement order to a bank where:

- the bank constitutes an "insolvent financial institution" under the Act on Structural Improvement of the Financial Industry;
- its combined Tier I and Tier II capital adequacy ratio is less than 2.0% or its Tier I capital adequacy ratio is less than 1.5% or its common equity Tier I capital ratio is less than 1.2%; or
- the bank has difficulty continuing its normal operations, even though it has previously become subject to a management improvement requirement under Article 35(1), and has been urged (but has failed) to implement a management improvement plan under Article 39(6), of the Regulation on Supervision of Banking Business.

Prior to issuing a management improvement order to a bank, the FSC would be expected to (i) issue a management improvement recommendation to such bank (for example, if its combined Tier I and Tier II capital adequacy ratio is less than 8.0% or its Tier I capital adequacy ratio is less than 6.0% or its common equity Tier I capital ratio is less than 4.5%) under Article 34 of the Regulation on Supervision of Banking Business and (ii) subject such bank to a management improvement requirement (for example, if its combined Tier I and Tier II capital adequacy ratio is less than 6.0% or its Tier I capital adequacy ratio is less than 4.5% or its common equity Tier I capital ratio is less than 3.5%) under Article 35 of the Regulation on Supervision of Banking Business.

Article 38(1) of the Regulation on Supervision of Banking Business provides that the FSC or its chairman shall impose emergency measures on a bank where:

- a drastic deterioration in the liquidity of the bank causes it to experience, among others, shortages of reserves and assets for repayment of deposits or an inability to repay its external debts;
- it becomes impracticable or impossible for the bank to conduct normal business operations due to the occurrence of events such as, among others, a strike, work stoppage, labor dispute or a run on its deposits; or
- there is a manifest risk of bankruptcy or insolvency of the bank or the bank is unable to repay its deposits.

Such emergency measures may include: (i) restrictions on acceptance of deposits and provision of loans by the bank; (ii) a suspension on repayment of all or any part of the bank's deposits; (iii) a prohibition on repayment of debts by the bank; and (iv) mandatory dispositions of the bank's assets under Article 38(2) of the Regulation on Supervision of Banking Business.

Furthermore, interest on any Series (as defined under "*Terms and Conditions of the Notes*") of Tier I Subordinated Notes will be paid only out of such amounts legally available to the Issuer from time to time under applicable Korean law for payment of dividends on equity of the Issuer (or, if higher, such amounts for payment of interest on such Tier I Subordinated Notes). Under the Korean Commercial Code, the Issuer may pay an annual dividend only out of the excess of its net assets, on a non-consolidated basis, over the sum of (i) its stated capital (i.e., paid-in capital), (ii) the total amount of its capital surplus reserve and legal reserve accumulated up to the end of the relevant dividend period, (iii) the earned surplus reserve to be set aside for the annual dividend and (iv) any increase in net assets caused by the valuation of assets and liabilities performed in accordance with Korean accounting principles, against which no unrealized loss is set off. Depending on the ability of the Issuer to meet certain capital ratios, such amounts legally available to the Issuer under the Korean Commercial Code are subject to further restrictions pursuant to Articles 26, 26-2 and 26-3 of the Regulation on Supervision of Banking Business, which sets forth upper limits on the amounts a bank may use from its legally available amounts under the Korean Commercial Code to pay discretionary dividends, including discretionary interest payments on capital securities such as the Tier I Subordinated Notes. Specifically, the Issuer would be able to use only a certain percentage (ranging from 0% to 60%, depending on the degree of the shortfall in the applicable capital adequacy ratios) of its annual consolidated net income as stated in its latest audited financial report after deducting the regulatory reserve for credit loss if its common equity Tier I capital ratio, Tier I capital adequacy ratio or combined Tier I and Tier II capital adequacy ratio were to fall below 8.0%, 9.5% or 11.5%, respectively. The foregoing thresholds have been calculated based on (i) an additional capital conservation buffer of 2.5%, (ii) a potential counter-cyclical capital buffer set at 0% (which may be subject to change within the range of 0% to 2.5% based on the FSC's determination on a quarterly basis) and (iii) an additional capital requirement of 1.0% for being designated as one of the domestic systemically important banks for 2021. See "*Risk Factors—Risks Relating to the Issuer's Liquidity and Capital Management—The Issuer may be required to raise additional capital if its capital adequacy ratio deteriorates or the applicable capital requirements change in the future, but the Issuer may not be able to do so on favorable terms or at all*" and "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Capital Adequacy*."

To the extent the aggregate amount of interest and other distributions payable on any Series of Tier I Subordinated Notes and other Tier I obligations exceed such amounts legally available to the Issuer, the aggregate amount of interest payable on such Tier I Subordinated Notes would be reduced by an amount equal to the pro rata portion of such excess. Moreover, because the Issuer is entitled to not pay interest on any interest payment date in its sole discretion, it may choose to do so even if amounts are legally available for payment of dividends or interest. See "*Terms and Conditions of the Notes—Interest—Special Provisions Relating to Interest on Tier I Subordinated Notes*."

Interest payments on the Tier I Subordinated Notes are not cumulative. Accordingly, if interest is not paid or is reduced on any interest payment date as a result of any of the foregoing, such unpaid interest will be irrevocably lost, and holders of Tier I Subordinated Notes will not be entitled to receive such unpaid interest on any subsequent interest payment date or any other date, whether or not funds are, or subsequently become, available. Any non-payment of interest by the Issuer will not constitute an event of default under the Tier I Subordinated Notes. Due to these interest cancellation features, the trading behavior with respect to the Tier I Subordinated Notes may not follow trading behavior associated with other types of securities of the Issuer or other issuers. A potential investor should not invest in Tier I Subordinated Notes unless it has knowledge and expertise to evaluate how the Tier I Subordinated Notes will perform under changing market conditions and the resulting effect on the likelihood of an interest cancellation and on the market value of the Tier I Subordinated Notes.

Non-payment of interest may adversely affect the trading price of the Tier I Subordinated Notes.

If interest is not paid on the Tier I Subordinated Notes on any interest payment date, the Tier I Subordinated Notes may trade at a price which is lower than the issue price or the prevailing market price prior to such interest payment date. The sale of the Tier I Subordinated Notes during any period of non-payment of interest thereon may result in the holder receiving lower returns on the investment than a holder who continues to hold the Tier I Subordinated Notes until the interest payments resume (if at all). In addition, because of the interest cancellation provisions applicable to the Tier I Subordinated Notes, the market price of the Tier I Subordinated Notes may be more volatile than that of other securities that are not subject to such provisions.

Investors should consider the U.S. federal income tax treatment of an investment in Subordinated Notes.

No statutory, judicial or administrative authority directly addresses the U.S. federal income tax characterization of the Subordinated Notes or instruments with a similar write-off feature. As a result, significant aspects of the U.S. federal income tax consequences of an investment in such Notes are uncertain. Notwithstanding their legal form as debt, the Issuer may treat certain Subordinated Notes as equity for U.S. federal income tax purposes. If the IRS were to treat the Subordinated Notes as debt for U.S. federal income tax purposes, this characterization would be potentially adverse to U.S. holders. See "*Taxation—U.S. Taxation—Subordinated Notes*." Prospective investors are urged to consult their tax advisers concerning the U.S. federal income tax consequences of an investment in the Subordinated Notes.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a "Temporary Bearer Global Note") or a permanent bearer global note (a "Permanent Bearer Global Note" and, together with a Temporary Bearer Global Note, each a "Bearer Global Note") as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the "Common Depositary") for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") and/or a sub-custodian for the Hong Kong Monetary Authority (the "HKMA") as operator of the Central Moneymarkets Unit Service (the "CMU"). Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or The Bank of New York Mellon, Hong Kong Branch (the "CMU Lodging and Paying Agent") and Euroclear and/or Clearstream, Luxembourg and/or the CMU, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "Exchange Date") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused. The CMU may require that any such exchange for a Permanent Bearer Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg and/or the CMU Service against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) and save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice (a) in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Luxembourg, from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein and/or (b) in the case of Notes held through the CMU, from the relevant account holders therein to the CMU Lodging and Paying Agent as described therein; or (ii) only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (I) an Event of Default (as defined in Condition 10) has occurred and is continuing, (II) the Issuer has been notified that either Euroclear or Clearstream, Luxembourg, and in the case of Notes cleared through the CMU, the CMU, have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention to cease business permanently or have in fact done so and no successor clearing system is available, or (III) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form (provided that, in certain circumstances where the Notes are held through Euroclear and/or Clearstream, Luxembourg, such adverse tax consequences are as a result of a change in, or amendment to, the laws or regulations (taxation or otherwise) in, or of, Korea). The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (A) in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) and/or (B) in the case of Notes held through the CMU, the relevant account holders therein, may give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (III) above, the Issuer may also give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States will initially be represented by a global note in registered form (a "Regulation S Global Note") which will be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company ("DTC") and/or a Common Depositary for Euroclear and Clearstream, Luxembourg and/or a sub-custodian for the HKMA as operator of the CMU. Prior to expiry of the Distribution Compliance Period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg or the CMU and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("QIBs") or (ii) to "accredited investors" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions ("Institutional Accredited Investors") who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a "Rule 144A Global Note" and, together with a Regulation S Global Note, the "Registered Global Notes") which will be deposited with a custodian for, and registered in the name of a nominee of, DTC.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof ("Definitive IAI Registered Notes"). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions*." Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, Euroclear, Clearstream, Luxembourg or the CMU, but transferees acquiring the Notes in transactions exempt from the Securities Act registration pursuant to Regulation S or Rule 144 under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale and Transfer and Selling Restrictions*." The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6(e)) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(e)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default has occurred and is continuing, (ii) DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no successor or alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (iii) the Issuer has been notified that in the case of Notes registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream, Luxembourg, both Euroclear and Clearstream, Luxembourg, and in the case of Notes held through the CMU, the CMU, have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention to cease business permanently or have in fact done so and, in any such case, no successor clearing system is available, or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form.

The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (i) in the case of Notes registered in the name of a nominee for DTC or a nominee for a Common Depositary for Euroclear and/or Clearstream, Luxembourg, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) and/or (ii) in the case of Notes held through the CMU, the relevant account holders therein, may give notice to the Registrar, or as the case may be, the CMU Lodging and Paying Agent, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) in the previous paragraph above, the Issuer may also give notice to the Registrar, or as the case may be, the CMU Lodging Agent requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or, as the case may be, the CMU Lodging Agent.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg and the CMU, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See "*Subscription and Sale and Transfer and Selling Restrictions*."

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent, or as the case may be, the CMU Lodging and Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number, a CUSIP number and a CINS number which are different from the common code, ISIN, CMU instrument number, CUSIP number and CINS number assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg and/or the CMU each person (other than Euroclear or Clearstream, Luxembourg or the CMU) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or the CMU as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or the CMU as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU in accordance with the Central Moneymarkets Unit Rules ("CMU Rules") at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or the CMU and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the Issuer, the Principal Paying Agent and the Registrar.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note, then holders of interest in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or the CMU and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and/or the CMU and/or DTC on and subject to the terms of the deed of covenant dated September 28, 2018 and executed by the Issuer (the "Deed of Covenant"). In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

For so long as any Notes are listed and quoted on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a Global Note is exchanged for Definitive Notes, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for Definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the Singapore Stock Exchange, and such announcement will include all material information with respect to the delivery of the Definitive Notes, including details of the Paying Agent in Singapore.

Summary of Provisions Relating to Definitive Registered Notes

Registered Notes of a Series that are initially offered and sold in the United States pursuant to Section 4(a)(2) of the Securities Act in private placement transactions exempt from registration under the Securities Act to Institutional Accredited Investors who execute and deliver to the Registrar an IAI Investment Letter substantially in the form attached to the Agency Agreement will be issued only as Definitive Registered Notes, registered in the name of the purchaser thereof or its nominee. Unless otherwise set forth in the applicable Pricing Supplement, such Definitive Registered Notes will be issued only in minimum denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Such Definitive Registered Notes issued to Institutional Accredited Investors will be subject to the restrictions on transfer set forth therein and in the Agency Agreement and will bear the applicable legend regarding such restrictions set forth under "*Subscription and Sale and Transfer and Selling Restrictions*." Institutional Accredited Investors that hold Definitive Registered Notes may not elect to hold such Notes through DTC, but transferees acquiring such Notes in transactions exempt from registration under the Securities Act pursuant to Rule 144A, Regulation S or Rule 144 under the Securities Act (if available) may take delivery thereof in the form of an interest in a Rule 144A Global Note or a Regulation S Global Note, as the case may be, representing Notes of the same Series.

FORM OF APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[*Date*]

KOOKMIN BANK

(acting through its [principal office in Korea/[●] Branch])
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$8,000,000,000
Global Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. The terms and conditions of the Notes (the "Conditions") shall consist of the terms and conditions set out under the heading "*Terms and Conditions of the Notes*" in the Offering Circular dated [●], 2021 (the "Offering Circular"), as amended or supplemented, as the case may be, in this Pricing Supplement. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular.

[*The following language applies if the Notes rely on the exemption as set out in Article 2-2-2, Paragraph 2, Item 3 of the Securities Issuance and Disclosure Regulations promulgated by the Financial Services Commission of Korea.*]

The Notes have not been registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Notes may not be offered, delivered, or sold, directly or indirectly, in the Republic of Korea ("Korea") or to any resident of Korea (as defined in the Foreign Exchange Transaction Act of Korea and the rules and regulations promulgated thereunder) or to others for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. In addition, during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a "qualified institutional buyer" (a "Korean QIB" as defined under the Securities Issuance and Disclosure Regulations) who is registered with the Korea Financial Investment Association as a Korean QIB, provided that the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes.

[*The following language applies if the Notes rely on the exemption as set out in Article 2-2-2, Paragraph 2, Item 1 or Item 5 of the Securities Issuance and Disclosure Regulations promulgated by the Financial Services Commission of Korea.*]

The Notes have not been registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Notes may not be offered, delivered, or sold, directly or indirectly, in the Republic of Korea ("Korea") or to any resident of Korea (as defined in the Foreign Exchange Transaction Act of Korea and the rules and regulations promulgated thereunder) or to others for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. In addition, during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "Conditions") set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [●], 2021, save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto.]

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

[UK MiFIR product governance—Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in the European Union (Withdrawal) Act 2018; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining the appropriate distribution channels]

[*The following legend should be included where item 16 below is marked as "Applicable"*.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][1]

[UK PRIIPs REGULATION—PROHIBITION OF SALES TO UK RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000 ("FSMA") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or [(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

1 Legend to be included on front of the pricing supplement if the Notes potentially constitute "packaged" products or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

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

** To delete accordingly.*

*** [For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.]*

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

1	Issuer:		Kookmin Bank (acting through its [principal office in Korea/ [●] Branch])
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/ exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [*date*]] [Not Applicable]
3	Specified Currency or Currencies:		[●]
4	Aggregate Principal Amount:		
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5	(i)	[Issue Price:]	[●]% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (if applicable)]
	(ii)	[Net Proceeds:]	[●]
	(Required only for listed issues)		
6	(i)	Specified Denominations: (*in the case of Registered Notes, this means the minimum integral amount in which transfers can be made*)	[●] [●] (N.B. Notes must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities and in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Regulation in that Member State.)

		(Note—where Bearer Notes with multiple denominations above U.S.$200,000 or equivalent are being used, the following sample wording should be followed: *"U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof up to and including U.S.$299,000. No Notes in definitive form will be issued with a denomination above U.S.$299,000.")* *(N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange or a United Kingdom exchange; and (ii) only offered in the European Economic Area or the United Kingdom in circumstances where a prospectus is not required to be published under the Prospectus Regulation the €100,000 minimum denomination is not required.)*
	(ii) Calculation Amount:	[●] *(If there is only one Specified Denomination, insert that Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor. N.B. there must be a common factor in the case of two or more Specified Denominations)*
7	(i) Issue Date:	[●] [Specify/Issue Date/Not Applicable]
	(ii) Interest Commencement Date:	[●] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example, Zero Coupon Notes)*
8	Maturity Date:	*[Fixed rate—specify date/Floating rate—Interest Payment Date falling in or nearest to [specify month]] (N.B.: (i) Tier II Subordinated Notes shall have a minimum maturity of five years and may not be perpetual; and (ii) Tier I Subordinated Notes are undated perpetual securities and shall have no fixed maturity date)*
9	Interest Basis:	[[●]% Fixed Rate] [[Specify Reference Rate] +/- [●]% Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Dual Currency Redemption] [Partly Paid] [Instalment] [specify other]
11	Change of Interest or Redemption/ Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]

12	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)] *(N.B.: Investor Put not possible for Subordinated Notes.)*
13	Status of the Notes:	[Senior/Subordinated] [*If Subordinated, specify either Upper Tier II Subordinated or Lower Tier II Subordinated*]
14	Listing and admission to trading:	[Singapore Exchange Securities Trading Limited/specify other/None]
15	Method of distribution:	[Syndicated/Non-syndicated]
16	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] [*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified*]
17	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] [*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified*]
18	Use of Proceeds:	[●] [*If different from the use of proceeds specified in the Offering Circular*]

Provisions Relating to Interest (if any) Payable

19	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Rate(s) of Interest:	[●]% per annum payable in arrear on each Interest Payment Date
(ii)	Interest Payment Date(s):	[●] in each year up to and including the Maturity Date *(Amend appropriately in the case of irregular coupons)*
(iii)	Fixed Coupon Amount(s): *(Applicable to Notes in definitive form)*	[●] per Calculation Amount**
(iv)	Broken Amount(s): *(Applicable to Notes in definitive form)*	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●].* *Note that for certain Hong Kong dollar denominated Fixed Rate Notes, the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, "Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●]."** For Hong Kong dollar denominated Fixed Rate Notes where the Interest*

		Payment Dates are subject to modification the following wording is appropriate: "Each Fixed Coupon Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the actual number of days in the Accrual Period (as defined in Condition 5(a)) divided by 365 and rounding the resultant figure to the nearest HK$0.01, HK$0.005 being rounded upwards."
(v)	Day Count Fraction:	[Actual/Actual (ICMA)/specify other]
(vi)	Determination Date[s]:	[●] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon (N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration) (N.B.: Only relevant where Day Count Fraction is Actual/Actual* (ICMA))]
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/Give details]

20 Floating Rate Note Provisions: [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)

(i)	Specified Period(s)/Specified Interest Payment Dates:	[●]
(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[*specify other*]]
(iii)	Additional Business Centre(s):	[●]
(iv)	Manner in which the Rate of Interest and Interest Amount are to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[●]
(vi)	Screen Rate Determination:	
	—Reference Rate and Relevant Financial Centre:	Reference Rate: [●] month [LIBOR/EURIBOR/HIBOR/ SOFR Benchmark/specify other Reference Rate].
	—Interest Determination Date(s):	[●] (*Second London Business Day prior to the start of* each Interest Period if LIBOR (other than Sterling, Hong Kong dollar or euro LIBOR), first day of each Interest Period if Sterling or Hong Kong dollar LIBOR or HIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
	—Relevant Screen Page:	[●] (*In the case of EURIBOR, if not Reuters Page* EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

—SOFR Benchmark	[Not Applicable/Compounded Daily SOFR/SOFR Index] (Only applicable where the Reference Rate is SOFR)
—Compounded Daily SOFR	[Not Applicable/SOFR Lag/SOFR Observation Shift] (Only applicable in the case of Compounded Daily SOFR)
—Lookback Days	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (Only applicable in the case of SOFR Lag)
—SOFR Observation Shift Days	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (Only applicable in the case of SOFR Observation Shift or SOFR Index)
—SOFR $\text{Index}_{\text{Start}}$	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (Only applicable in the case of SOFR Index)
—SOFR $\text{Index}_{\text{End}}$	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (Only applicable in the case of SOFR Index)
(vii) ISDA Determination:	
—Floating Rate Option:	[●]
—Designated Maturity:	[●]
—Reset Date:	[●] (*In the case of a LIBOR, EURIBOR or HIBOR based option, the first day of the Interest Period*)
(viii) Margin(s):	[+/-] [●]% per annum
(ix) Minimum Rate of Interest:	[●]% per annum
(x) Maximum Rate of Interest:	[●]% per annum
(xi) Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] (*See Condition 5 for alternatives*)
(xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Transition Event]/[Benchmark Discontinuation (SOFR)]/*[specify other if different from those set out in the Conditions]*
21 Zero Coupon Note Provisions:	[*Applicable/Not Applicable*] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) Accrual Yield:	[●]% per annum

	(ii)	Reference Price:	[●]
	(iii)	Any other formula/basis of determining amount payable:	[●]
	(iv)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[30/360] [Actual/360] [Actual/365]
22	Index Linked Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Index/Formula:	[*give or annex details*]
	(ii)	Calculation Agent:	[●]
	(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent):	[●]
	(iv)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[●]
	(v)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]
	(vii)	Additional Business Centre(s):	[●]
	(viii)	Minimum Rate of Interest:	[●]% per annum
	(ix)	Maximum Rate of Interest:	[●]% per annum
	(x)	Day Count Fraction:	[●]
23	Dual Currency Note Provisions:		[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[give details]
	(ii)	Party, if any, responsible for calculating the principal and/or interest payable due (if not the Principal Paying Agent):	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]

	(iv)	Person at whose option Specified Currency(ies) is/are payable	[●]

Provisions Relating to Redemption

24	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●] *(N.B.: Issuer call for Subordinated Notes may not be made within five years of their issuance date and will be subject to satisfaction of regulatory conditions.)*
	(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[●] [per Calculation Amount/*specify other*/see Appendix]
	(iii)	If redeemable in part:	
	(a)	Minimum Redemption Amount:	[●]
	(b)	Maximum Redemption Amount:	[●]
	(iv)	Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
25	Investor Put		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[●] [per Calculation Amount/*specify other*/see Appendix]
	(iii)	Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
26	Redemption Amount of each Note:		[[●] per Calculation Amount/*specify other*/see Appendix]
27	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)):		[[●] per Calculation Amount/*specify other*/see Appendix]

General Provisions Applicable to the Notes

28 Form of Notes:	[Bearer Notes: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]] *(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect:* *"U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof up to and including U.S.$299,000."* *Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)* [Registered Notes: Regulation S Global Note (U.S.$[●] nominal amount) / Rule 144A Global Note (U.S.$[●] nominal amount) / Definitive IAI Registered Notes (specify nominal amounts)]
29 Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/give details] (*Note that this item relates to the place of payment and not Interest Period end dates to which items 17(iii) and 19(vii) relate*)
30 Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
31 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/give details] (*N.B.: A new form of Global Note may be required for Partly Paid issues*)
32 Details relating to Instalment Notes:	[Not Applicable/The provisions [in Condition [●]] [annexed to this Pricing Supplement] apply]
(i) Instalment Amount(s):	[Not Applicable/*give details*]
(ii) Instalment Date(s):	[Not Applicable/*give details*]

33	Redenomination applicable:		Redenomination [not] applicable [(*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))] [(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Pricing Supplement*)]
34	Other terms or special conditions:		[Not Applicable/*give details*]

Distribution

35	(i)	If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii)	Stabilizing Manager(s) (if any):	[Not Applicable/*give name(s)*]
36	If non-syndicated, name of relevant Dealer:		[Not Applicable/*give name*]
37	U.S. selling restrictions:		[Reg. S Compliance Category [1/2]/Rule 144A/ TEFRA D/ TEFRA C/TEFRA not applicable]
38	Additional selling restrictions:		[Not Applicable/*give details*]

Operational Information

39	Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s):		[Not Applicable/*give name(s) and number(s)*]
40	Delivery:		Delivery [against/free of] payment
41	Additional Paying Agent(s) (if any):		[Not Applicable/*give name*]
	(i)	ISIN:	[●]
	(ii)	Common Code:	[●]
	(iii)	CMU Instrument Number:	[●]
	(iv)	CUSIP:	[●]
	(v)	LEI:	549300XXMOJSIW8P4769

(insert here any other relevant codes such as a CMU instrument number and CINS codes)

42 Provisions Relating to Green Bonds, Social Bonds or Sustainability Bonds

(i)	Green Bonds:	[Yes/No]
(ii)	Social Bonds:	[Yes/No]
(iii)	Sustainability Bonds:	[Yes/No]
(iv)	[Reviewer(s):]	*[Name of sustainability rating agency(ies) and name of third party assurance agent] and [give details of compliance opinion (s) and availability]]*

Listing Application

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the U.S.$8,000,000,000 Global Medium Term Note Programme of Kookmin Bank. The Singapore Exchange Securities Trading Limited (the "Singapore Stock Exchange") assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. Approval in-principle from, admission to the Official List of, and the listing and quotation of the Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes.

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:

Duly authorized

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 2, 5, 6, 7 (except Condition 7(b)), 11, 12, 13, 14 (insofar as Notes are not listed or admitted to trading on any stock exchange) and 16, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

This Note is one of a Series (as defined below) of Notes issued by Kookmin Bank (the Issuer). The applicable Pricing Supplement (as defined below) will indicate whether the Issuer is acting through its principal office in Korea or any of its overseas branches pursuant to the Agency Agreement (as defined below).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;

(ii) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form;

(iii) any Global Note; and

(iv) any definitive Notes in registered form ("**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Agreement as modified and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated September 28, 2018 and made between, the Issuer, The Bank of New York Mellon, London Branch, as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent), and as calculation agent (the "**Calculation Agent**", which expression shall include any successor calculation agent), The Bank of New York Mellon, Hong Kong Branch as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression shall include any successor CMU lodging and paying agent) and The Bank of New York Mellon SA/NV, Luxembourg Branch and any additional paying agents appointed in accordance with the Agency Agreement, as paying agent (the "**Paying Agent**" and, together with the Principal Paying Agent and the CMU Lodging and Paying Agent, the "**Paying Agents**", which expression shall, unless the context otherwise requires, include any successor paying agents), as registrar (the "**Registrar**", which expression shall include any successor registrar), and as transfer agent (the "**Transfer Agent**", which expression shall include any successor or any additional transfer agents appointed in accordance with the Agency Agreement) and The Bank of New York Mellon, as transfer agent (the "**Transfer Agent**" and, together with The Bank of New York Mellon SA/NV, Luxembourg Branch, the "**Transfer Agents**", which expressions shall include any successor to any of The Bank of New York Mellon, and The Bank of New York Mellon SA/NV, Luxembourg Branch in their capacities as such and any substitute or any additional transfer agents appointed in accordance with the Agency Agreement), and as registrar (the "**Registrar**" and, together with The Bank of New York Mellon SA/NV, Luxembourg, the "**Registrars**", which expression shall include any successor or any additional registrars appointed in accordance with the Agency Agreement), such agents together being referred to as the "**Agents**". For the purposes of these Terms and Conditions, all references to the Principal Paying Agent shall, with respect to a Series of Notes to be held in the CMU (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

Interest bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the "**applicable Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of any Coupons, and shall, unless the context otherwise requires, include the holders of any Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Amended and Restated Deed of Covenant (such Deed of Covenant as modified and/or supplemented from time to time, the "**Deed of Covenant**") dated September 28, 2018, and made by the Issuer. The original of the Deed of Covenant is held by the common depositary on behalf of Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, a deed poll (such Deed Poll as modified and/or supplemented from time to time, the "**Deed Poll**") dated May 14, 2009 and made by the Issuer, the applicable Pricing Supplement and the Deed of Covenant are available for inspection following written consent and satisfactory proof of holding, free of charge, during normal business hours at the specified office of the Principal Paying Agent, the Registrar and the Transfer Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the relevant Agent as to its holding of such Notes and as to identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll, the Deed of Covenant and the applicable Pricing Supplement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

In the Conditions, euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1 Form, Denomination and Title

The Notes may be in bearer form and/or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, will be serially numbered, in the currency (the Specified Currency) and the denominations (the Specified Denomination(s)) specified in the applicable Pricing Supplement. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement, and to the extent permitted by applicable law.

This Note may be an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/ Payment Basis shown in the applicable Pricing Supplement.

This Note may also be a Senior Note (as defined in Condition 3(a)) or a Subordinated Note (as defined in Condition 3(b)), as indicated in the applicable Pricing Supplement.

Bearer Notes in definitive form are issued with Coupons and (if applicable) Receipts and Talons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), and/or a subcustodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**"), each person (other than Euroclear, Clearstream, Luxembourg or the CMU) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or the CMU as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or the CMU as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note (and the expressions "**Noteholder**" and "**holder**" of Notes and related expressions shall be construed accordingly). Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) ("**CMU Accountholders**") and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note. For so long as the Depository Trust Company ("**DTC**") or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, the CMU and DTC, as the case may be. References to Euroclear, Clearstream, Luxembourg, the CMU and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Principal Paying Agent and specified in the applicable Pricing Supplement.

2 Transfers of Registered Notes

(a) Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, the CMU, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorized denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of

DTC, the CMU, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) Transfers of Registered Notes in definitive form

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorized denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 9 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), and subject to authentication by the Registrar, deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

  (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

  (B) to a person who is an Institutional Accredited Investor, together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an "**IAI Investment Letter**"); or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States, and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (a) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (b) such certification requirements will no longer apply to such transfers.

(f) Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Legended Note:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an "**IAI Investment Letter**"); or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States;

and in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, the CMU, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest or payment on that Note.

(i) Costs of exchange or registration

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it provided that the Issuer shall not be responsible for any documentary stamp tax payable on the transfer of Notes effected in Korea unless the Issuer is the counterparty directly liable for that documentary stamp tax.

(j) Definitions

In this Condition, the following expressions shall have the following meanings:

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

"**Institutional Accredited Investor**" means "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions;

"**Legended Note**" means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a "**Legend**");

"**QIB**" means a "qualified institutional buyer" within the meaning of Rule 144A;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Note**" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**Rule 144A Global Note**" means a Registered Global Note representing Notes sold in the United States or to QIBs; and

Securities Act means the United States Securities Act of 1933, as amended.

3 Status of the Notes

(a) Status of the Senior Notes

The Notes that are not Subordinated Notes (the "**Senior Notes**") and any relative Receipts and Coupons constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer which rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured (subject to Condition 4) and unsubordinated obligations of the Issuer, save for such as may be preferred by mandatory provisions of applicable law.

(b) Status of the Subordinated Notes

(i) Tier II Subordinated Notes

The Notes whose status is specified in the applicable Pricing Supplement as Tier II Subordinated (the "**Tier II Subordinated Notes**") and any relative Receipts and Coupons constitute direct, unsecured and subordinated (as described in Condition 3(c)) obligations of the Issuer which (subject to the provisions of Condition 3(d)) will at all times rank (x) junior to the Senior Indebtedness of the Issuer (as defined in Condition 3(c)), (y) *pari passu* with and rateably without any preference among themselves and all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior to the Tier II Subordinated Notes (collectively, the "**Tier II Obligations**") and (z) senior to, and in priority to claims of holders of, the Tier I Obligations (as defined in Condition 3(b)(ii)) and all classes of equity of the Issuer.

(ii) Tier I Subordinated Notes

The Notes whose status is specified in the applicable Pricing Supplement as Tier I Subordinated (the "**Tier I Subordinated Notes**" and, together with the Tier II Subordinated Notes, the "**Subordinated Notes**") and any relative Receipts and Coupons constitute direct, unsecured and subordinated (as described in Condition 3(c)) obligations of the Issuer which (subject to the provisions of Conditions 3(d) and 5(f)) will at all times rank (x) junior to the Senior Indebtedness of the Issuer (as defined in Condition 3(c)), (y) *pari passu* with and rateably without any preference among themselves and all other subordinated obligations of the Issuer which either constitute additional Tier I capital of the Issuer under applicable Korean laws and regulations or otherwise rank or are expressed by their terms to rank *pari passu* with the Tier I Subordinated Notes (collectively, the "**Tier I Obligations**") and (z) senior to, and in priority to claims of holders of, all classes of equity of the Issuer (other than equity that constitutes Tier II capital of the Issuer under applicable Korean laws and regulations). In addition, in the case of a Bankruptcy Event (as defined in Condition 3(c)), the Tier I Subordinated Notes shall be deemed not to constitute liabilities for purposes of determining whether the Issuer's liabilities exceed its assets.

(c) Subordination

This Condition 3(c) applies only to Subordinated Notes.

(i) If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under any Subordinated Notes, a Bankruptcy Event (as defined below) occurs and so long as it continues, any amounts which become due then or thereafter under the Subordinated Notes (including overdue amounts) shall not be payable unless and until the total amount of any and all Senior Indebtedness of the Issuer which is listed on the distribution list (as amended, if such be the case) for final distribution submitted to the court in the bankruptcy proceedings is paid in full or provided to be paid in full in such bankruptcy proceedings.

(ii) If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under any Subordinated Notes, a Rehabilitation Event (as defined below) occurs and so long as it continues, any amounts which become due then or thereafter under the Subordinated Notes (including overdue amounts) shall not be payable unless and until the total amount of any and all Senior Indebtedness of the Issuer which is listed on the rehabilitation plan of the Issuer at the time when the court's approval of such plan becomes final and conclusive shall have been paid in full in the rehabilitation proceedings to the extent of the original amount thereof (without regard to any adjustment of such amount in the approved rehabilitation plan).

(iii) If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under any Subordinated Notes, a Foreign Event (as defined below) occurs and so long as it continues, any amounts which become due then or thereafter under the Subordinated Notes (including overdue amounts) shall only become payable upon conditions equivalent to those enumerated in the above two paragraphs having been fulfilled, provided that notwithstanding any provision herein to the contrary if the imposition of any such conditions is not allowed under such proceedings, any amounts which become due under the Subordinated Notes shall become payable in accordance with the terms herein provided and not subject to such conditions.

(iv) A holder of a Subordinated Note by its acceptance thereof or its interest therein, shall thereby agree that (i) if any payment in respect of such Note is made to such holder after the occurrence of a Subordination Event and the amount of such payment shall exceed the amount, if any, that should have been paid to such holder upon the proper application of these subordination provisions, the payment of such excess amount shall be deemed null and void and such holder (without the Registrar or any Paying Agent having any obligation or liability with respect thereto, save to the extent that the Registrar or such Paying Agent shall return to the Issuer any such excess amount which remains held by it at the time of the notice next referred to) shall be obliged to return the amount of the excess payment within ten days of receiving notice from the Issuer of the excess payment and (ii) upon the occurrence of a Subordination Event and so long as such Subordination Event continues, such holder shall not exercise any right to set off any liabilities of the Issuer under such Note which become so payable on or after the date on which the Subordination Event occurs against any liabilities of such holder owed to the Issuer unless, until and only in such amount as the liabilities of the Issuer under such Note become payable pursuant to the proper application of these subordination provisions.

In addition, a holder of a Subordinated Note by its acceptance thereof or its interest therein shall be deemed to have waived, and agreed not to exercise, any right as a creditor to require the Issuer to redeem such Subordinated Note or provide collateral with respect thereto that may arise pursuant to the Korean Commercial Code or applicable Korean laws and regulations in connection with a merger, spin-off or other similar transaction of the Issuer.

In these Conditions:

a "**Bankruptcy Event**" shall mean a court of competent jurisdiction in Korea having adjudicated the Issuer to be bankrupt pursuant to the provisions of the Act on Debtor Rehabilitation and Bankruptcy or any successor legislation thereto;

a "**Foreign Event**" shall mean in any jurisdiction other than Korea, the Issuer having become subject to bankruptcy, corporate reorganization or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Korea;

a "**Rehabilitation Event**" shall mean a court of competent jurisdiction in Korea having adjudicated the Issuer to be subject to the rehabilitation proceedings pursuant to the provisions of the Act on Debtor Rehabilitation and Bankruptcy or any successor legislation thereto;

"**Senior Indebtedness of the Issuer**" shall mean (i) in the case of Tier II Subordinated Notes, all deposits and other liabilities of the Issuer (other than the Tier II Obligations and the Tier I Obligations) and (ii) in the case of the Tier I Subordinated Notes, all deposits and other liabilities of the Issuer (other than the Tier I Obligations) and all equity that constitutes Tier II capital of the Issuer under applicable Korean laws and regulations; and

a "**Subordination Event**" shall mean any Bankruptcy Event, Rehabilitation Event or Foreign Event.

(d) Loss Absorption upon a Trigger Event in respect of Subordinated Notes

(i) Write-off on a Trigger Event

Effective as of the third Korean Business Day (as defined below) from the occurrence of a Trigger Event (as defined below), each Subordinated Note, including the then outstanding principal amount thereof and any accrued but unpaid interest thereon, shall be irrevocably cancelled in whole, without the need for the consent of the holders of the Subordinated Notes (such cancellation being referred to herein as a "**Write-off**", and "**Written-off**" shall be construed accordingly). Once the principal amount of, and any accrued but unpaid interest under, the Subordinated Notes has been Written-off, such amounts will not be restored in any circumstances, including where the relevant Trigger Event ceases to continue.

The Issuer shall provide a Trigger Event Notice (as defined below) to the holders of the Subordinated Notes, but such Write-off shall be effective irrespective of whether the Issuer has provided such Trigger Event Notice.

For the avoidance of doubt, any Write-off pursuant to this Condition 3(d) will not constitute an Event of Default under the Notes.

(ii) Definitions

In these Conditions and unless stated otherwise in the applicable Pricing Supplement:

"Korean Business Day" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in Seoul, Korea;

"Trigger Event" means the designation of the Issuer as an "insolvent financial institution" pursuant to the Act on the Structural Improvement of the Financial Industry; and

"Trigger Event Notice" means the notice specifying that a Trigger Event has occurred, which shall be issued by the Issuer not more than two Korean Business Days after the occurrence of a Trigger Event to the holders of the Subordinated Notes and the Principal Paying Agent in accordance with Condition 14 and which shall state in reasonable detail the nature of the relevant Trigger Event. Notwithstanding any provisions of Condition 14 to the contrary, any such notice shall be effective as of the date of its issuance by the Issuer.

4 Negative Pledge

(a) Negative Pledge

So long as any Senior Note remains outstanding (as defined in the Agency Agreement), the Issuer will not create or permit to subsist any mortgage, charge, pledge or other security interest upon or over the whole or any part of its property, assets or revenues (whether present or future) to secure for the benefit of the holders of any International Investment Securities:

(i) payment of any sum due in respect of any such International Investment Securities;

(ii) payment under any guarantee in respect of any such International Investment Securities; or

(iii) payment under any indemnity or other like obligation in respect of any such International Investment Securities,

without, in any such case and at the same time, according to the Senior Notes either the same security as is available for the benefit of the holders of such International Investment Securities or such other security as shall be approved for the purpose by an Extraordinary Resolution (as defined in the Agency Agreement) of the holders of Senior Notes.

(b) Interpretation

In these Conditions, "**International Investment Securities**" means notes, bonds, debentures, certificates of deposit or investment securities of any person which:

(i) by their terms either are payable, or confer a right to receive payment, in any currency other than Won or are denominated in Won and more than one-half of the aggregate principal amount of which is initially distributed outside Korea by or with the authorization of the Issuer; and

(ii) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market outside Korea;

provided that "**Covered Bonds**" (as defined below) in the aggregate outstanding principal amount not exceeding an amount equal to 10% of the total consolidated assets as shown on the most recent consolidated accounts of the Issuer shall not constitute International Investment Securities.

In these Conditions, Covered Bonds means debt securities (including any notes, bonds, debentures, certificates of deposit or investment securities) backed by cash flows generated from an underlying investment pool consisting of mortgage loans, public sector assets, cash, cash equivalents and/or other financial assets.

5 Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

In these Conditions, Fixed Interest Period means the period from (and including) an Interest Payment Date (or Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Terms and Conditions:

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 5(a):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Pricing Supplement;

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of;

    (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

    (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

"**Determination Period**" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an Interest Payment Date) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below of this subparagraph (1) shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "**Business Day**" means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Pricing Supplement; and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated RealTime Gross Settlement Express Transfer (TARGET 2) System (the "**TARGET 2 System**") is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (A), "**ISDA Rate for an Interest Period**" means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**"), and under which:

(1) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(3) the relevant Reset Date is as specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (A), (i) "**Floating Rate", "Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity and Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(1) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or any other such page as may replace that page on the relevant service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) (the "**Relevant Screen Page Rate**") as at 11:00 a.m. (in the Relevant Financial Centre time) (the "**Specified Time**") on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one highest quotation, one only of those quotations) and the lowest (or, if there is more than one lowest quotation, one only of those quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(2) The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph; provided, however, that Condition 5(h) shall apply if Benchmark Transition Event is specified in the applicable Pricing Supplement and a Benchmark Transition Event (as defined in Condition 5(h)) has occurred.

(C) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest for each Interest Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "SOFR Benchmark" will be determined based on Compounded Daily SOFR or SOFR Index, as follows (subject in each case to Condition 5(i) as further specified hereon):

(1) If Compounded Daily SOFR ("**Compounded Daily SOFR**") is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark

for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Period (where SOFR Lag is specified in the applicable Pricing Supplement to determine Compounded Daily SOFR) or the SOFR Observation Period (where SOFR Observation Shift is specified in the applicable Pricing Supplement to determine Compounded Daily SOFR).

Compounded Daily SOFR shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the applicable Pricing Supplement:

(A) SOFR Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-xUSBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

$SOFR_{i\text{-}xUSBD}$" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day "i";

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Period;

"**d_o**" for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period; and

"**n_i**" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_{i\text{-}xUSBD}$ applies.

(B) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"**SOFR Observation Period**" means, in respect of an Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Payment Date for such Interest Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"$\mathbf{d_o}$" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to do, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period; and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_i$ applies.

The following defined terms shall have the meanings set out below for purpose of this 5(b)(ii)(C)(1):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means, in respect of a U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

(i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(i) shall apply as specified in the applicable Pricing Supplement;

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day.

(2) If SOFR Index ("**SOFR Index**") is specified in the applicable Pricing Supplement, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**SOFR Index**" means, in respect of a U.S. Government Securities Business Day, the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, *provided that*:

(A) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "SOFR Index" shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the Compounded Daily SOFR formula described above in Condition 5(b)(ii)(C)(1)(B) "SOFR Observation Shift, and the term "SOFR Observation Shift Days" shall mean five U.S. Government Securities Business Days; or

(B) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(i) shall apply as specified in the applicable Pricing Supplement;

"**SOFR Index$_{End}$**" means, in respect of an Interest Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement prior to the Interest Payment Date for such Interest Period (or in the final Interest Period, the Maturity Date);

"**SOFR Index$_{Start}$**" means, in respect of an Interest Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified hereon prior to the first day of such Interest Period;

"**SOFR Index Determination Time**" means, in respect of a U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"**SOFR Observation Period**" means, in respect of an Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Payment Date for such Interest Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement; and

"**d_c**" means the number of calendar days in the applicable SOFR Observation Period.

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(ii)(C):

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified, the second U.S. Government Securities Business Day prior to the last day of each Interest Period;

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York, or any successor source;

"**SOFR Benchmark Replacement Date**" means the date of occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Whether or not a Minimum Rate of Interest or Maximum Rate of Interest is specified in the relevant Pricing Supplement, in no event shall the Rate of Interest (including any applicable Margin) be less than zero.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Calculation Agent, in the case of Floating Rate Notes and Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period and will notify the Principal Paying Agent in writing of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such subunit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

In these Terms and Conditions,

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

(1) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(2) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(3) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(4) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(5) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\textbf{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(6) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\textbf{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

(7) if "**30E/360 (ISDA)**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\textbf{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D2 will be 30.

(v) Notification of Rate of Interest and Interest Amounts

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the Registrar, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Interest on Dual Currency Notes

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

(d) Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(1) the date on which all amounts due in respect of such Note have been paid; and

(2) the date on which the full amount of the moneys payable has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given in accordance with Condition 14.

(f) Special Provisions Relating to Interest on Tier I Subordinated Notes

Notwithstanding any provisions to the contrary in these Terms and Conditions, the following will apply with respect to interest on the Tier I Subordinated Notes:

(i) Interest on any Series of Tier I Subordinated Notes will be paid only out of the amount legally available under applicable Korean law for payment of dividends on equity of the Issuer or, if higher, the amount legally available under applicable Korean law for payment of interest on such Tier I Subordinated Notes (the "**Dividend Reserve**"). To the extent that the sum of (x) the amount of interest payable on any Series of Tier I Subordinated Notes on any Interest Payment Date (or, if applicable, during a fiscal year) and (y) the aggregate amount of interest and other distributions payable by the Issuer on the other Tier I Obligations during the fiscal quarter in which such Interest Payment Date falls (or, if applicable, during such fiscal year) exceeds the Dividend Reserve as of the relevant date (or, if applicable, for such fiscal year) pursuant to, and as calculated in accordance with, the requirements of applicable Korean law, the amount of interest payable on such Tier I Subordinated Notes on such Interest Payment Date (or, if applicable, during such fiscal year) will be reduced by an amount equal to the pro rata portion (calculated based on the relative aggregate amounts of interest and other distributions payable on each Tier I Obligation during such fiscal quarter or, if applicable, such fiscal year) of such excess.

(ii) The Issuer may, in its sole discretion, elect not to pay, in whole or in part, any interest payable on any Series of Tier I Subordinated Notes on any Interest Payment Date; provided, however, that if the Issuer makes such an election, it will (unless it has set aside and deposited into an escrow account the full amount of interest that would become payable on such Tier I Subordinated Notes on the next succeeding Interest Payment Date) also make a similar election, in whole or in part on a pro rata basis, as applicable (to the fullest extent permitted by their respective terms and conditions), with respect to interest and other distributions that become payable on the other Tier I Obligations during the applicable Dividend Suspension Period (as defined below).

(iii) The Tier I Subordinated Notes will not bear any interest during an Interest Cancellation Period (as defined below), and any interest payable on the Tier I Subordinated Notes on any Interest Payment Date falling within an Interest Cancellation Period will not be paid.

(iv) Interest on the Tier I Subordinated Notes is non-cumulative. All amounts of such interest not paid in whole or in part pursuant to the preceding paragraphs will be deemed irrevocably cancelled, without the need for the consent of the holders of the Tier I Subordinated Notes, and will not be restored in any circumstances. For the avoidance of doubt, (A) any non-payment of interest, in whole or in part, by the Issuer pursuant to the preceding paragraphs will not constitute an Event of Default under the Notes, (B) holders of the Tier I Subordinated Notes will not have any claim or entitlement to any amount of such unpaid interest, and (C) any and all amounts of such unpaid interest may be applied by the Issuer for any purpose, including without limitation for the satisfaction of its other obligations that are due and payable.

(v) In the event that (x) any interest payable on any Series of Tier I Subordinated Notes on any Interest Payment Date will not be paid in whole or in part pursuant to the preceding paragraphs or (y) an Interest Cancellation Period has commenced or terminated, the Issuer will, no later than ten Business Days prior to the relevant Interest Payment Date or five Business Days after the commencement or termination of an Interest Cancellation Period, as applicable, provide notice of such non-payment or commencement/termination to the Paying Agents and to the holders of such Tier I Subordinated Notes in accordance with Condition 14, stating the reason for such non-payment (and specifying the amount of interest payable that will not be paid) or commencement/termination; provided, however, that the failure of the Issuer to provide such notice shall not affect the effectiveness of the cancellation of the applicable interest amounts.

(vi) In the event that any interest payable on any Series of Tier I Subordinated Notes on any Interest Payment Date is not (or, if applicable, will not be) paid in whole or in part pursuant to the preceding paragraphs, the Issuer will not:

(A) declare or pay any dividends or other distributions in cash with respect to any of its common shares; and

(B) purchase, acquire or redeem any of its common shares or permit any of its Subsidiaries to do so;

in each case during the applicable Dividend Suspension Period.

As used herein:

"**Dividend Suspension Period**" means the period from and including the applicable Interest Payment Date (or, if applicable, the first day of the relevant fiscal year) to but excluding the earlier of (x) the next succeeding Interest Payment Date on which the interest payable on the applicable Series of Tier I Subordinated Notes on such date is paid in full (or, if applicable, the last day of the relevant fiscal year) and (y) the date of redemption in full or Write-Off (as defined in Condition 3(d)) of the applicable Series of Tier I Subordinated Notes.

"**Interest Cancellation Period**" means any of the following: (x) the period during which either a "management improvement recommendation," a "management improvement requirement" or a "management improvement order" has been issued by the Financial Services Commission of Korea (the FSC) against the Issuer pursuant to Article 34, 35 or 36, respectively, of the Regulation on Supervision of Banking Business and is pending; or (y) the period during which "emergency measures" have been imposed by the FSC or its chairman against the Issuer pursuant to Article 38 of the Regulation on Supervision of Banking Business and are pending.

(g) Interest Rate Reset

If Interest Rate Reset is specified in the applicable Pricing Supplement, the Rate of Interest applicable to the Notes will be reset to the Reset Interest Rate (as defined below) effective as of each Interest Reset Date (as specified in the applicable Pricing Supplement), such that the Notes will bear interest at the Reset Interest Rate during each period from (and including) an Interest Reset Date to (but excluding) the next succeeding Interest Reset Date or, if earlier, the date of redemption (each a Reset Interest Period).

The Calculation Agent will, on the Calculation Date (as defined below) for each Reset Interest Period, calculate the Reset Interest Rate for such Reset Interest Period and cause such Reset Interest Rate and the relevant Interest Reset Date to be notified to the Issuer, and the Issuer will cause notice to the Noteholders of such Reset Interest Rate and Interest Reset Date to be published in accordance with Condition 14 as soon as possible after such Calculation Date but in no event later than the fourth New York Business Day (as defined below) thereafter.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(g) by the Calculation Agent shall (in the absence of willful default, or manifest error) be binding on the Issuer, the Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

As used herein, unless otherwise specified in the applicable Pricing Supplement:

"**Base Rate**" means the U.S. Treasury Rate or such other rate as specified in the applicable Pricing Supplement.

"**Calculation Date**" means, in relation to a Reset Interest Period, the fifth New York Business Day (as defined below) preceding the Interest Reset Date on which such Reset Interest Period commences.

"**Comparable Treasury Issue**" means the U.S. Treasury security having a maturity comparable to the Reset Interest Period and selected by the Issuer and notified to Calculation Agent in writing as one that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to the Reset Interest Period.

"**Comparable Treasury Price**" means, with respect to a Calculation Date, the average of the three Reference Treasury Dealer Quotations selected by the Issuer (as defined below) for such Calculation Date.

"**New York Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City.

"**Reference Treasury Dealer Quotations**" means, with respect to a Calculation Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer at 5:00 p.m. New York time on such Calculation Date by each of the three nationally recognized investment banking firms selected by the Issuer that are primary U.S. government securities dealers.

"**Reset Interest Rate**" means, in relation to a Reset Interest Period, a fixed percentage rate per annum equal to the sum of (x) the Base Rate for such Reset Interest Period and (y) the Spread (as specified in the applicable Pricing Supplement).

"**U.S. Treasury Rate**" means, in relation to a Reset Interest Period, the percentage rate per annum equal to the yield, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the U.S. Federal Reserve System (available on the website thereof at http://www.federalreserve.gov/releases/h15/current/default.htm, or any successor site), within the column that presents the average yields for the week ending immediately prior to the Calculation Date for such Reset Interest Period, under the caption "U.S. government securities—Treasury constant maturities—Nominal," for U.S. Treasury securities having a maturity comparable to the Reset Interest Period. If such release does not appear on such website, "**U.S. Treasury Rate**" means the percentage rate per annum equal to the semi-annual or quarterly (as applicable) equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Calculation Date. If no rate is available, the previous rate shall apply.

(h) Effect of Benchmark Transition Event

The following provisions shall apply if Benchmark Transition Event is specified in the applicable Pricing Supplement:

(i) Benchmark Replacement

If the Issuer or its designee determines that a Benchmark Transition Event (as defined herein) and its related Benchmark Replacement Date (as defined herein) have occurred prior to the Reference Time (as defined herein) in respect of any determination of the Benchmark (as defined herein) on any date, the Benchmark Replacement (as defined herein) will replace the then-current Benchmark for all purposes relating to the applicable Notes in respect of such determination on such date and all determinations on all subsequent dates.

(ii) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes (as defined herein) from time to time.

At the request of the Issuer, but subject to receipt by the Agents of a certificate signed by two duly authorized officers of the Issuer pursuant to Condition 5(h)(iv) and at least five London banking days' prior thereof, the Agents shall (at the expense of the Issuer), without any requirement for the consent or approval of Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Replacement Conforming Changes (including, inter alia, by amending or supplementing the Agency Agreement), provided that the Agents shall not be obliged so to concur if, in the opinion of any of the Agents, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Agents in these Conditions or the Agency Agreement (including, for the avoidance of doubt, any supplemental agency agreement) in any way.

In connection with any Benchmark Replacement Conforming Changes in accordance with this Condition 5(h)(ii), the Issuer shall comply with the rules of any stock exchange on which the applicable Notes are for the time being listed or admitted to trading.

(iii) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(h), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in the Issuer's or its designee's sole discretion, and, notwithstanding anything to the contrary in the these Conditions or the Agency Agreement, shall become effective with respect to the applicable Notes without consent from any other party.

(iv) Notices, etc.

Any Benchmark Replacement (including any Benchmark Replacement Adjustment) and the specific terms of any Benchmark Replacement Conforming Changes determined under this Condition 5(h) will be notified promptly by the Issuer to the Principal Paying Agent and the Calculation Agent and, in accordance with Condition 16, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Replacement Conforming Changes, if any.

No later than notifying the Principal Paying Agent and the Calculation Agent of the same, the Issuer shall deliver to the Agents a certificate signed by two duly authorized officers of the Issuer:

(A) confirming (1) that a Benchmark Transition Event has occurred and (2) the Benchmark Replacement (including any Benchmark Replacement Adjustment) and the specific terms of any Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 5(h); and

(B) certifying that the Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of the Benchmark Replacement.

The Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof.

(v) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 5(h)(i), (ii), (iii) and (iv), the Benchmark and the fallback provisions provided for in the Agency Agreement will continue to apply unless and until the Principal Paying Agent and the Calculation Agent have been notified of the Benchmark Replacement (including any Benchmark Replacement Adjustment) and the specific terms of any Benchmark Replacement Conforming Changes, in accordance with Condition 6(h)(iv).

(vi) Certain Defined Terms

As used in this Condition 5(h):

"**Benchmark**" means, initially, LIBOR (if LIBOR is specified as the Reference Rate in the applicable Pricing Supplement); provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to LIBOR or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement.

"**Benchmark Replacement**" means the Interpolated Benchmark; provided that if the Issuer or its designee cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date, then "**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the sum of: (1) Term SOFR and (2) the Benchmark Replacement Adjustment;

(B) the sum of: (1) Compounded SOFR and (b) the Benchmark Replacement Adjustment;

(C) the sum of: (1) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (2) the Benchmark Replacement Adjustment;

(D) the sum of: (1) the ISDA Fallback Rate and (2) the Benchmark Replacement Adjustment;

(E) the sum of: (1) the alternate rate of interest that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry- accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (2) the Benchmark Replacement Adjustment.

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(B) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;

(C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time.

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "**Interest Period,**" timing and frequency of determining rates and making payments of interest, changes to the definition of "**Corresponding Tenor**" solely when such tenor is longer than the Interest Period and other administrative matters) with respect to these Conditions, the Agency Agreement or otherwise that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary).

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark:

(A) in the case of clause (A) or (B) of the definition of "**Benchmark Transition Event,**" the later of (1) the date of the public statement or publication of information referenced therein and (2) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or

(B) in the case of clause (C) of the definition of "**Benchmark Transition Event,**" the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"**Benchmark Transition Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(A) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(B) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

(C) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"**Compounded SOFR**" means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which will be compounded in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by the Issuer or its designee in accordance with:

(A) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; provided that:

(B) if, and to the extent that, the issuer or its designee determines that Compounded SOFR cannot be determined in accordance with clause (A) above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by the issuer or its designee giving due consideration to any industry-accepted market practice for U.S. dollar-denominated floating rate notes at such time.

"**Corresponding Tenor**" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

"**designee**" means a designee as selected and separately appointed by the Issuer in writing.

"**Federal Reserve Bank of New York's Web site**" means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source.

"**Interpolated Benchmark**" with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (A) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (B) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor.

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"**ISDA Fallback Adjustment**" means the spread adjustment, (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"**Reference Time**" with respect to any determination of the Benchmark means (A) if the Benchmark is LIBOR, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such determination, and (B) if the Benchmark is not LIBOR, the time determined by the Issuer or its designee in accordance with the Benchmark Replacement Conforming Changes.

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"**SOFR**" with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York's Web site.

"**Term SOFR**" means the forward-looking term rate for the applicable Corresponding Tenor based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(vii) Other

Notwithstanding any other provision of this Condition 5(h), no Agent is obliged to concur with the Issuer or its designee in respect of any changes or amendments as contemplated under this Condition 5(h) which, in the sole opinion of such Agent, would have the effect of (i) exposing such Agent to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections, of such Agent in the Agency Agreement and/or these Conditions.

Notwithstanding any other provision of this Condition 5(h), if in the opinion of the Calculation Agent there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(h), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer or its designee shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

(i) Benchmark Discontinuation (SOFR)

The following provisions shall apply if Benchmark Discontinuation (SOFR) is specified in the applicable Pricing Supplement:

(i) Benchmark Replacement

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(ii) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(i). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by the Agents (if required). Further, none of the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(i), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (A) will be conclusive and binding absent manifest error, (B) will be made in the sole discretion of the Issuer or its designee, as applicable, and (C) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(iv) Certain Defined Terms

As used in this Condition 5(i)

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the applicable Pricing Supplement; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(A) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(B) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(C) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the sum of:

(1) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(2) the Benchmark Replacement Adjustment;

(B) the sum of:

(1) the ISDA Fallback Rate; and

(2) the Benchmark Replacement Adjustment; or

(C) the sum of:

(1) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(2) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(B) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(A) in the case of sub-paragraph (A) or (B) of the definition of "Benchmark Event", the later of:

(1) the date of the public statement or publication of information referenced therein; and

(2) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(B) in the case of sub-paragraph (C) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded Daily SOFR is specified as applicable hereon) or SOFR Index Determination Time (where SOFR Index is specified as applicable hereon), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

6 Payments

(a) Method of Payment

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee; and

(ii) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

References to "Specified Currency" will include any successor currency under applicable law.

*Notwithstanding the foregoing, so long as the Global Note is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or an alternative clearing system, each payment in respect of the Global Note will be made to the person shown as the Noteholder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except January 1 and December 25.*

(b) Payments subject to fiscal and other laws

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471 (b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto.

(c) Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes not held in the CMU will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

In respect of Bearer Notes not held in the CMU in definitive form, payments of instalments of principal (if any), other than the final instalment will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes or Index Linked Notes or Long Maturity Notes (as defined below) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Index Linked Note or Long Maturity Note in definitive bearer form not held in the CMU becomes due and repayable, unmatured

Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

In the case of definitive Bearer Notes held in the CMU, payment will be made at the direction of the bearer to the CMU Accountholders and such payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(d) Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner provided in paragraph (a) above and otherwise in the manner specified in the relevant Global Note (i) in the case of a Bearer Global Note lodged with the CMU, at the direction of the bearer to the CMU Accountholders, or (ii) in the case of a Bearer Global Note not lodged with the CMU, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note (in the case of a Bearer Global Note not lodged with the CMU) by the Paying Agent to which it was presented or (in the case of a Bearer Global Note lodged with the CMU) on withdrawal of such Bearer Global Note by the CMU Lodging and Paying Agent, and in each such case, and such record shall be prima facie evidence that the payment in question has been made.

(e) Payments in respect of Registered Notes

Payments of principal (other than instalments of principal (if any) prior to the final instalment) in respect of each Registered Note (whether in definitive or global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business, in respect of Notes clearing through the CMU, a day on which the CMU is open for business and in respect of Notes clearing through DTC, a day on which DTC is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest due on a Registered Note (whether in definitive or global form) and payments of instalments of principal (if any) due on a Registered Note (other than the final instalment) will be made by credit or transfer to an account in the relevant Specified Currency maintained by the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business, in respect of Notes clearing through the CMU, a day on which the CMU is open for business and in respect of Notes clearing through DTC, a day on which DTC is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**"). Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency shall be paid by transfer by the Registrar to an account in the relevant Specified Currency on behalf of DTC or its nominee for payment in such Specified Currency or conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement. In the case of a Registered Note (whether or not in global form) held in the CMU, payment will be made at the direction of the registered holder to the CMU Accountholders and such payment shall discharge the obligations of the Issuer in respect of that payment.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(f) General provisions applicable to payments

The holder of a Global Note (if the Global Note is not lodged with the CMU) or the CMU Accountholder at the direction of the holder of a Global Note (if the Global Note is lodged with the CMU), shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, the CMU or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg, the CMU or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note. No person other than the holder of such Global Note shall have any claim against the Issuer in respect of any payments due on such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of any Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Bearer Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(g) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) in the case of Notes in definitive form only, the relevant place of presentation;

(B) each Additional Financial Centre specified in the applicable Pricing Supplement;

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open; and

(iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorized or required by law or regulation to be closed in New York City.

(h) Interpretation of Principal and Interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 8;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Notes redeemable in instalments, the Instalment Amounts;

(vi) in relation to Zero Coupon Notes, the Amortized Face Amount as defined in Condition 7(e); and

(vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7 Redemption and Purchase

(a) Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

Notwithstanding any provisions to the contrary in these Terms and Conditions, the following will apply with respect to the redemption of the Tier I Subordinated Notes:

(i) The Tier I Subordinated Notes are undated perpetual securities and shall have no fixed Maturity Date. Subject to Condition 3(c), the principal amount of the Tier I Subordinated Notes will become due and payable by the Issuer on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the Issuer's articles of incorporation or (iii) any applicable law or any decision of any judicial or administrative authority.

(ii) The Tier I Subordinated Notes may not be redeemed at any time without the prior approval of the Financial Supervisory Service of Korea (the "**FSS**") or such other relevant regulatory authorities in Korea, to the extent such approval is necessary.

(b) Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which (including the cessation of tax exemptions presently applicable) change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that (1) in the case of Subordinated Notes, the prior approval of the FSS or such other relevant regulatory authorities in Korea or elsewhere shall have been obtained, if necessary, and (2) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two duly authorized officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognized standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

(ii) not less than 15 days before the giving of the notice referred to in (i) above, notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar (which notices shall be irrevocable and shall specify the date fixed for redemption);

redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date; provided, however, that in the case of Subordinated Notes, (1) such redemption may not occur within five years of the Issue Date and (2) such redemption shall be subject to the prior approval of the FSS pursuant to regulations of the FSC of Korea in effect at the applicable time relating to, inter alia, capital adequacy ratios, replacement capital and interest rates. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed (Redeemed Notes) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear, Clearstream, Luxembourg, the CMU and/or DTC, as the case may be, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the Selection Date). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this sub-paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

(d) Redemption of the Senior Notes only at the Option of the Noteholders (Investor Put)

If, with respect to the Senior Notes, Investor Put is specified as being applicable in the applicable Pricing Supplement, upon the holder of any Senior Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Pricing Supplement the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, in whole (but not in part), such Senior Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7(d) in any multiple of their lowest Specified Denomination.

If the Notes are in definitive form and held outside Euroclear, Clearstream, Luxembourg, DTC and the CMU, to exercise the right to require redemption of this Senior Note the holder of this Senior Note must deliver such Senior Note at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg, the CMU or DTC, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg, the CMU and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, the CMU, DTC or any depositary for them to the Principal Paying Agent by electronic means or notice being given to the CMU Lodging and Paying Agent) in a form acceptable to Euroclear, Clearstream, Luxembourg, the CMU, the CMU Lodging and Paying Agent and DTC from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg, DTC and the CMU given by a holder of any Senior Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Senior Note forthwith due and payable pursuant to Condition 10.

Each Senior Note should be presented for redemption together with all unmatured Coupons relating to it, failing which such Senior Note will be redeemed only against provision of such indemnity as the Issuer may require. Upon the date on which any Senior Note falls due for redemption or is purchased for cancellation, all unmatured Coupons appertaining thereto will become void and no payment will thereafter be made in respect thereto.

(e) **Early Redemption Amounts**

For the purpose of paragraph (b) above and Condition 10, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

(i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their nominal amount; or

(iii) in the case of Zero Coupon Notes, at an amount (the "**Amortized Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = RP x (1 + AY)*y*

where:

"**RP**" means the Reference Price; and

"**AY**" means the Accrual Yield expressed as a decimal; and

"***y***" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

(f) **Instalments**

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) **Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(h) **Purchases**

The Issuer may at any time purchase Senior Notes (provided that, in the case of Bearer Notes in definitive form, these are purchased together with all unmatured Receipts, Coupons and Talons appertaining thereto) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation. The Issuer or any corporation or other business entity which the Issuer effectively owns or controls, including without limitation any Subsidiary of the Issuer, may not purchase Subordinated Notes.

(i) **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts and Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and cannot be reissued or resold.

(j) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) the date on which the full amount of the moneys payable has been received by the Principal Paying Agent or, as the case may be, the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

(k) Obligation to redeem

Upon the expiry of any notice as is referred to in paragraph (b), (c) or (d) above or paragraph (l) below, the Issuer shall be bound to redeem the Notes to which the notice referred at the relevant redemption price applicable at the date of such redemption together with, if appropriate, interest accrued to (but excluding) the relevant redemption date.

(l) Redemption of Tier I Subordinated Notes for tax non-deductibility or regulatory reasons

Any Series of Tier I Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if either a Tax Non-deductibility Event or a Regulatory Event (each as defined below) has occurred and is continuing; provided that (1) the prior approval of the FSS or such other relevant regulatory authorities in Korea or elsewhere shall have been obtained, if necessary, and (2) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which (x) the Issuer would cease to be able to claim the relevant tax deduction pursuant to such Tax Non-deductibility Event or (y) such Series of Tier I Subordinated Notes would cease to qualify (in whole or in part) as additional Tier I capital pursuant to such Regulatory Event, as applicable.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two duly authorized officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognized standing to the effect that such Tax Non-deductibility Event or Regulatory Event, as applicable, has occurred and is continuing.

Notes redeemed pursuant to this Condition will be redeemed at their Final Redemption Amount, together (subject to Condition 5(f)) with interest accrued to (but excluding) the date of redemption.

As used herein:

"**Regulatory Event**" means, with respect to any Series of Tier I Subordinated Notes, such Notes (after having qualified as such at the time of their issuance) will no longer qualify (in whole or in part) as additional Tier I capital of the Issuer under applicable Korean laws and regulations, as a result of a change in or amendment to, or a change in the application or official interpretation of, such laws or regulations; provided, however, that such change or amendment was not pending or foreseeable at the time of issuance of such Notes.

"**Tax Non-deductibility Event**" means, with respect to any Series of Tier I Subordinated Notes, the Issuer (after having been entitled to claim such a deduction at the time of issuance of such Notes) will no longer be entitled to claim a deduction in respect of interest paid on such Notes for purposes of Korean corporation tax under applicable Korean laws and regulations, as a result of a change in or amendment to, or a change in the application or official interpretation of, such laws or regulations; provided, however, that such tax non-deductibility cannot be avoided by the Issuer taking reasonable measures available to it.

8 Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(i) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(ii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day; or

(iii) where such withholding or deduction is imposed pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, U.S. Treasury regulations or administrative guidance promulgated thereunder or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law, regulation, rule or practice implementing such intergovernmental approach).

As used herein:

(A) "**Tax Jurisdiction**" means (i) Korea or any political subdivision or any authority thereof or therein having power to tax and (ii) if the Issuer is acting through an overseas branch (as specified in the applicable Pricing Supplement) the jurisdiction relating to such overseas branch or any political subdivision or any authority thereof or therein having power to tax; and

(B) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or, as the case may be, the Registrar on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9 Prescription

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(c) or any Talon which would be void pursuant to Condition 6(c).

10 Events of Default

(a) Applicable to Senior Notes only

If any of the following events (each an "**Event of Default**") occurs and is continuing:

(i) *Non-payment*: default is made in the payment of any amount of principal or interest in respect of the Senior Notes on the due date for payment thereof and such default remains unremedied for 10 days or, in the case of default in the payment of interest, 15 days thereafter; or

(ii) *Breach of other obligations*: default is made in the performance or observance of any other obligation of the Issuer under or in respect of the Senior Notes and such default remains unremedied for 60 days after written notice thereof, addressed to the Issuer by any holder of Senior Notes, has been delivered to the Issuer; or

(iii) *Cross-acceleration*: (1) any Indebtedness in aggregate exceeding U.S.$20,000,000 (or its equivalent in one or more currencies) of the Issuer is not paid within 30 days after the due date or, as the case may be, the expiry of any originally applicable grace period, (2) any Indebtedness in aggregate exceeding U.S.$20,000,000 (or its equivalent in one or more currencies) becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (in the absence of any event of default, howsoever described) any person entitled to such Indebtedness or (3) the Issuer fails to pay within 30 days after the due date or, as the case may be, the expiry of any originally applicable grace period, any amount in aggregate exceeding U.S.$20,000,000 (or its equivalent in one or more currencies) payable by it under any Surety; or

(iv) *Enforcement proceedings*: an execution or other legal process is levied, enforced or sued out upon or against the whole or substantially the whole of the property of the Issuer which is material in its effect upon the operations of the Issuer and is not discharged or stayed within 60 days; or

(v) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer; or

(vi) *Insolvency, etc.*: (1) the Issuer becomes insolvent or is unable to pay its debts generally as they fall due; (2) an administrator or liquidator of the Issuer or the whole or substantially the whole of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made and is not withdrawn within 60 days thereafter) or (3) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Surety given by it; or

(vii) *Winding up*: an order is made or an effective resolution is passed for the winding up of the Issuer; or

(viii) *Analogous event*: any event occurs which under the laws of Korea has an analogous effect to any of the events referred to in sub-paragraphs (iv) to (vii) above,

then the holders of at least 25 per cent. in nominal amount of any Senior Note may, by written notice addressed to the Issuer and delivered to the Issuer or to the Principal Paying Agent in accordance with Condition 14, declare such Note to be immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality. Any such notice shall specify the serial number of each Note in respect of which it is given.

(b) Applicable to Subordinated Notes only

(i) If any Bankruptcy Event or the liquidation of the Issuer shall occur and be continuing (and provided that a Trigger Event has not occurred and is continuing), then, in any such event, the holder of any Subordinated Note may by written notice to the Issuer declare such Note to be forthwith due and payable upon receipt of such notice by the Issuer whereupon such Note shall become due and repayable at its principal amount plus accrued interest (if any).

(ii) Except as expressly provided in this Condition 10(b), no holder of any Subordinated Note shall have any right to accelerate any payment of principal or interest in respect of the Subordinated Notes.

(iii) The only action the holder of a Subordinated Note may take in Korea against the Issuer on acceleration of the Subordinated Notes is to prove claims in the liquidation or other applicable proceedings in respect of the Issuer in Korea.

(c) Interpretation

In these Conditions:

(i) "**Indebtedness**" means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by way of acceptances or leasing).

(ii) "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organization, state, agency of a state or other entity, whether or not having a separate legal personality.

(iii) "**Surety**" means any obligation of any Person(s) to pay any Indebtedness of another Person(s) in an aggregate principal amount of not less than U.S.$5,000,000 including, without limitation, (1) any obligation to purchase such Indebtedness, (2) any obligation to lend or give money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (3) any indemnity against the consequences of a default in the payment of such Indebtedness and (4) any other agreement to be responsible for such Indebtedness.

(iv) "**Subsidiary**" means, in relation to the Issuer, any company (i) in which the Issuer holds a majority of the voting rights or (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

11 Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent or the relevant Paying Agent (in the case of Bearer Notes, Receipts, Coupons and Talons) or of the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12 Principal Paying Agent, CMU Lodging and Paying Agent, Registrar, Paying and Transfer Agents

The names of the initial Principal Paying Agent, the initial CMU Lodging and Paying Agent, the other initial Paying Agents, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent, Calculation Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars, Calculation Agents, or Transfer Agents and/or approve any change in the specified office through which any of the same acts, provided that:

(i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes), and a Registrar and Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);

(ii) there will at all times be a Paying Agent and a Transfer Agent with a specified office in a city in continental Europe;

(iii) there will at all times be a Registrar and a Transfer Agent each having a specified office in New York City;

(iv) there will at all times be a Principal Paying Agent;

(v) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(vi) so long as the Notes are listed on the Singapore Exchange Securities Trading Limited (the "**Singapore Stock Exchange**") and the rules of the Singapore Stock Exchange so require, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the Singapore Stock Exchange.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 6(f). Notice of any variation, termination, appointment or change will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Principal Paying Agent, the CMU Lodging and Paying Agent, the Registrar, the Calculation Agent, the Paying Agents and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or trust for or with any Noteholders.

13 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 11. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

14 Notices

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to the holders (or the first named of joint holders) at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

All notices regarding the Bearer Notes shall be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in Asia and (ii) if and for so long as the Bearer Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, a daily newspaper of general circulation in Singapore. It is expected that such publication will be made in the *Asian Wall Street Journal* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may (provided that, in the case of Notes listed on a stock exchange, the stock exchange agrees), so long as any Global Notes representing the Notes are held in their entirety on behalf of (i) Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and (ii) the CMU, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of dispatch of such notice as holding interests in the relevant Global Note and, in addition, in the case of both (i) and (ii) above, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the persons shown in the relevant CMU Instrument Position Report.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar via Euroclear and/or Clearstream, Luxembourg and/or DTC and/or, in the case of Notes lodged with the CMU, by delivery by such holder of such notice to the CMU Lodging and Paying Agent in Hong Kong, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the CMU as the case may be, may approve for this purpose.

15 Meetings of Noteholders, Modification and Waiver

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 5.0% in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50.0% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes (except as a result of any modification contemplated in Condition 5(h)) or altering the currency of payment of the Notes, Receipts or Coupons), the quorum shall be one or more persons holding or representing not less than 75.0% in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing a clear majority, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Agents and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(i) any modification (except as mentioned above) of any of the provisions of the Notes, the Receipts, the Coupons, the Conditions or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(ii) any modification of the Notes, the Receipts, the Coupons, the Conditions, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter. Any determination as to prejudice applying to the interests of the Noteholders, Receiptholders or Couponholders of any Notes pursuant to this Condition shall be made by Issuer and none of the Agents shall have any responsibility or liability whatsoever with respect to such determination.

16 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17 Provision of Information

The Issuer has covenanted in the Deed Poll for the benefit of the Noteholders, Receiptholders and Couponholders that for so long as any Notes remain outstanding and are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Noteholder, Receiptholder or Couponholder of, or beneficial owner of an interest in, such Notes, Receipts or Coupons in connection with any resale thereof and to any prospective purchaser designated by such Noteholder, Receiptholder or Couponholder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

18 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19 Governing Law and Submission to Jurisdiction

(a) The Agency Agreement, the Deed Poll, the Deed of Covenant, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed Poll, the Deed of Covenant, the Notes, the Receipts and the Coupons, are and shall be governed by, and construed in accordance with, English law except that in the case of Subordinated Notes, Conditions 3(b) and 3(c) are governed by, and shall be construed in accordance with, Korean law.

(b) The Issuer agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Agency Agreement, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection therewith) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Agency Agreement, the Notes, the Receipts and the Coupons (including any Proceeding relating to any non-contractual obligations arising out of or in connection therewith) may be brought in such courts. The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Issuer appoints Kookmin Bank London Branch. at its registered office for the time being, currently at 6/F, Princes Court, 7 Princes Street, London EC2R 8AQ, England as its agent for service of process, and undertakes that, in the event of it ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law. The Issuer hereby irrevocably and unconditionally waives with respect to the Agency Agreement, the Notes, the Receipts and/or the Coupons any right to claim immunity from jurisdiction or execution and any similar defense and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings

USE OF PROCEEDS

The net proceeds from each issue of Notes will be: (a) applied by the Issuer for its general corporate purposes; and/or (b) if so specified in the relevant Pricing Supplement, allocated by the Issuer towards the financing or refinancing, in whole or in part, of Green Eligible Categories, Social Eligible Categories (each as defined below) or a combination of the two categories (in the case of Sustainability Bonds) in accordance with the Kookmin Bank Sustainable Financing Framework (see "*Sustainable Financing Framework*").

According to the definition criteria set out by the ICMA Green Bond Principles, the ICMA Social Bond Principles or the ICMA Sustainability Bond Guidelines (as defined herein), only Tranches of Notes allocated exclusively to financing or refinancing Green Eligible Categories, Social Eligible Categories or a combination of the two categories (in the case of Sustainability Bonds) may be designated as "Green Bonds," "Social Bonds" or "Sustainability Bonds."

Green Eligible Categories, Social Eligible Categories or a combination of the two categories (in the case of Sustainability Bonds) have been defined in accordance with the broad categorization of eligibility for Green Projects, Social Projects or Sustainability Projects set out by the ICMA Green Bond Principles, the ICMA Social Bond Principles or the ICMA Sustainability Bond Guidelines.

"Green Eligible Categories" are those which comprise financing within the Green Eligible Categories set out in the Kookmin Bank Sustainable Financing Framework. Such Green Eligible Categories include those which relate to: renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of natural resources and land use, conservation of terrestrial and aquatic biodiversity, clean transportation, sustainable water and wastewater management, climate change adaption, and green buildings.

"Social Eligible Categories" are those which comprise financing within the Social Eligible Categories set out in the Kookmin Bank Sustainable Financing Framework. Such Social Eligible Categories include those which relate to: affordable basic infrastructure, access to essential services, affordable housing, employment generation, SME financing and microfinance, socio-economic advancement and empowerment.

Financings within the fossil fuel related assets, large scale hydro power plants and/or nuclear and nuclear-related assets categories are specifically excluded from consideration for eligibility.

CAPITALIZATION

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

	As of December 31, 2020[1]
	(in billions of Won)
Borrowings and debentures[2]	₩51,633
Equity	
Common stock, par value ₩5,000	
Authorised—1,000,000,000 shares	
Issued and outstanding common stock—404,379,116 shares	₩ 2,022
Hybrid securities	575
Capital surplus	4,808
Accumulated other comprehensive income	494
Retained earnings	22,244
Non-controlling interests in equity	265
Total equity	₩30,408
Total capitalisation	₩82,041

Notes:

(1) Consists of borrowings of ₩24,663 billion (excluding call money and bonds sold under repurchase agreements and others) and debentures of ₩26,970 billion.

On March 2, 2021, the Issuer issued subordinated notes in the amount of ₩500 billion.

Except as set forth herein, there has been no material change in the capitalisation of the Issuer since December 31, 2020.

SELECTED FINANCIAL AND OPERATING DATA

SELECTED FINANCIAL DATA

The selected financial data as of and for the years ended December 31, 2018, 2019 and 2020 set forth below have been derived from the Issuer's audited consolidated financial statements included elsewhere in this Offering Circular, which have been prepared in accordance with Korean IFRS.

You should read the following data together with the Issuer's consolidated financial statements included elsewhere in this Offering Circular. Historical results do not necessarily predict future results.

	Year ended December 31,		
	2018	2019	2020
	(in billions of Won)		
Information of consolidated financial statements of comprehensive income			
Interest income	₩10,020	₩10,780	₩10,456
Interest expense	(3,919)	(4,416)	(3,701)
Net interest income	6,101	6,364	6,755
Fee and commission income	1,423	1,483	1,450
Fee and commission expense	(300)	(350)	(382)
Net fee and commission income	1,123	1,133	1,068
Net gains on financial instruments at fair value through profit or loss	326	423	244
Net other operating expenses	(696)	(601)	(230)
General and administrative expenses	(3,767)	(3,887)	(4,201)
Operating profit before provision for credit losses	3,086	3,432	3,635
Provision for credit losses	(94)	(104)	(484)
Operating profit	2,992	3,328	3,151
Share of profit (loss) of investment in associates	50	29	(48)
Net other non-operating income (expenses)	44	(39)	29
Net non-operating profit (loss)	94	(10)	(19)
Profit before income tax expense	3,086	3,318	3,132
Income tax expenses	(827)	(879)	(812)
Profit for the year	₩ 2,259	₩ 2,439	₩ 2,320
(Adjusted profit after provision of regulatory reserve for credit losses)	2,012	2,288	2,206
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	(96)	(40)	(4)
Net gains (losses) on equity instruments at fair value through other comprehensive income	(36)	(17)	667
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	27	26	(155)
Net gains on debt instruments at fair value through other comprehensive income	57	34	31
Share of other comprehensive income (loss) of associates	(3)	8	(7)
Gains (losses) on hedging instruments of net investments in foreign operations	(25)	(6)	61
Gains (losses) on cash flow hedging instruments	4	(15)	(6)
Other comprehensive income (loss) for the period, net of tax	(72)	(11)	586
Total comprehensive income for the period	₩ 2,187	₩ 2,428	₩ 2,906
Profit attributable to:			
Shareholder of the parent company	₩ 2,259	₩ 2,439	₩ 2,298
Non-controlling interests	—	—	21
	₩ 2,259	₩ 2,439	₩ 2,320
Total comprehensive income attributable to:			
Shareholder of the parent entity	₩ 2,187	₩ 2,428	₩ 2,906
Non-controlling interests	—	—	(0)
	₩ 2,187	₩ 2,428	₩ 2,906

	As of December 31,		
	2018	2019	2020
	(in billions of Won)		
Consolidated balance sheet data			
Assets			
Cash and due from financial institutions	₩ 14,889	₩ 14,481	₩ 19,972
Financial assets at fair value through profit or loss	12,257	13,866	16,042
Derivative financial assets	1,614	2,317	4,457
Loans measured at amortized cost	276,944	293,531	327,332
Financial investments	42,723	52,419	58,286
Investments in associates	507	565	441
Property and equipment	3,128	3,784	4,042
Investment property	258	476	318
Intangible assets	224	269	963
Current income tax assets	5	14	48
Deferred income tax assets	3	2	58
Assets held for sale	17	7	198
Other assets	4,390	5,692	6,286
Total assets	₩356,959	₩387,425	₩438,444
Liabilities			
Financial liabilities at fair value through profit or loss	87	80	141
Derivative financial liabilities	1,642	2,169	4,282
Deposits	272,485	300,917	330,352
Borrowings(1)	17,496	19,141	26,871
Debentures	23,164	18,740	26,970
Provisions	308	311	388
Net defined benefit liabilities	167	179	165
Current income tax liabilities	6	8	37
Deferred income tax liabilities	121	249	347
Other liabilities	14,816	16,626	18,482
Total liabilities	330,291	358,421	408,036
Equity			
Capital stock	2,022	2,022	2,022
Hybrid securities	—	575	575
Capital surplus	5,219	5,220	4,808
Accumulated other comprehensive income	116	123	494
Retained earnings	19,311	21,065	22,244
(Provision of regulatory reserve for credit losses)	(2,151)	(2,291)	(2,442)
(Amounts estimated to be appropriated)	(140)	(151)	(93)
Equity attributable to shareholder of the parent company	26,668	29,004	30,143
Non-controlling interest	—	—	265
Total equity	26,668	29,004	30,408
Total liabilities and equity	₩356,959	₩387,425	₩438,444

Notes:

(1) Includes call money and bonds sold under repurchase agreements and others.

SELECTED OPERATING DATA

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

	As of or for the year ended December 31,		
	2018	**2019**	**2020**
Profit as a percentage of:			
Average total assets[(1)]	0.66%	0.66%	0.55%
Average equity[(1)]	8.61	8.72	7.70
Ratio of non-performing credits to total credits[(2)]	0.39	0.29	0.21
Ratio of allowance to total credits[(2)]	1.30	1.19	1.13
Net interest spread[(3)]	1.67	1.62	1.48
Net interest margin[(4)]	1.71	1.67	1.56
Total capital adequacy ratio[(5)(9)]	15.52	15.85	17.78
Tier I capital adequacy ratio[(6)(9)]	14.33	14.68	15.42
Common equity Tier I capital adequacy ratio[(7)(9)]	14.33	14.37	15.10
Tier II capital adequacy ratio[(8)(9)]	1.19	1.17	2.36

Notes:

(1) Derived by dividing profit by the daily average balance of total assets or total equity, as applicable, in each case calculated in accordance with applicable FSS reporting guidelines.

(2) Includes loans, guarantees and other credits in both the banking and trust accounts, calculated in accordance with applicable FSS reporting guidelines.

(3) Represents the difference between the average annual rate of interest earned on interest-earning assets and the average annual rate of interest paid on interest-bearing liabilities, calculated in accordance with applicable FSS reporting guidelines.

(4) Derived by dividing net interest income by average interest-earning assets, calculated in accordance with applicable FSS reporting guidelines.

(5) Calculated as the ratio of the sum of Tier I and Tier II capital to risk-weighted assets, on a consolidated basis and in accordance with guidelines issued by the FSC. See "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Capital Adequacy*."

(6) Calculated as the ratio of Tier I capital to risk-weighted assets, on a consolidated basis and in accordance with guidelines issued by the FSC. See "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Capital Adequacy*."

(7) Calculated as the ratio of common equity Tier I capital to risk-weighted assets, on a consolidated basis and in accordance with guidelines issued by the FSC. See "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Capital Adequacy*."

(8) Calculated as the ratio of Tier II capital to risk-weighted assets, on a consolidated basis and in accordance with guidelines issued by the FSC. See "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Capital Adequacy*."

(9) Calculated based on the consolidated financial statements of the Issuer prepared in accordance with Korean IFRS.

SELECTED STATISTICAL DATA

AVERAGE BALANCE SHEETS AND RELATED INTEREST

The following tables show the Issuer's average balances and interest rates for 2018, 2019 and 2020.

	Year ended December 31,								
	2018			2019			2020		
	Average Balance	Interest Income(1)	Average Yield	Average Balance	Interest Income(1)	Average Yield	Average Balance	Interest Income(1)	Average Yield
	(in billions of Won, except percentages)								
Assets									
Interest earning assets									
Cash and interest earning deposits in other banks	₩ 4,605	₩ 69	1.50%	₩ 4,099	₩ 65	1.59%	₩ 7,773	₩ 36	0.46%
Financial assets at fair value through profit or loss (debt securities)(2)	8,826	222	2.52	9,479	212	2.24	11,664	191	1.64
Financial investments (debt securities)(3)	38,018	824	2.17	45,310	918	2.03	52,412	791	1.51
Loans:									
Corporate	126,771	4,104	3.24	132,343	4,385	3.31	147,171	4,101	2.79
Mortgage	65,038	1,970	3.03	72,242	2,213	3.06	82,270	2,148	2.61
Home equity	31,778	990	3.12	29,307	933	3.18	26,860	759	2.83
Other consumer	38,737	1,656	4.27	42,730	1,800	4.21	46,810	1,702	3.64
Credit Cards	—	—	—	—	—	—	23	—	0.00
Foreign(4)	4,223	185	4.38	6,007	254	4.23	13,360	727	5.44
Loans (total)	266,547	8,905	3.34	282,629	9,585	3.39	316,494	9,437	2.98
Total average interest earning assets	317,996	10,020	3.15	341,517	10,780	3.16	388,343	10,455	2.69
Non-interest earning assets									
Cash and due from banks	**11,071**	—	—	**11,680**	—	—	**11,312**	—	—
Financial assets at fair value through profit or loss (excluding debt securities) (total)	**5,123**	—	—	**4,280**	—	—	**5,168**	—	—
Equity securities	345	—	—	289	—	—	329	—	—
Other	4,778	—	—	3,991	—	—	4,839	—	—
Financial investment (equity securities)	1,960	—	—	1,916	—	—	1,702	—	—
Investment in associates	407	—	—	532	—	—	583	—	—
Derivative financial assets	1,977	—	—	2,448	—	—	3,261	—	—
Premises and equipment	3,357	—	—	3,961	—	—	4,311	—	—
Intangible assets	218	—	—	255	—	—	599	—	—
Allowances for loan losses	(1,743)	—	—	(1,515)	—	—	(1,674)	—	—
Other non-interest earning assets	7,663	—	—	8,482	—	—	8,041	—	—
Total average non-interest earning assets	30,033	—	—	32,039	—	—	33,303	—	—
Total average assets	₩348,029	₩10,020	2.88%	₩373,556	₩10,780	2.89%	₩421,646	₩10,455	2.48%

(1) The Issuer does not invest in any tax-exempt securities.

(2) Includes deposits and loans at fair value through profit or loss. For information on interest income arising from such financial instruments, see Note 26 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular.

(3) Comprises financial assets at fair value through other comprehensive income and at amortised cost (formerly referred to as available-for-sale and held-to-maturity financial assets, respectively) and loans at fair value through other comprehensive income. For information on interest income arising from such financial instruments, see Note 26 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular.

(4) Consists primarily of loans from the Issuer's overseas branches to affiliates of large Korean manufacturing companies for trade financing and working capital.

	Year ended December 31,								
	2018			2019			2020		
	Average Balance	Interest Expense	Average Cost	Average Balance	Interest Expense	Average Cost	Average Balance	Interest Expense	Average Cost
	(in billions of Won, except percentages)								
Liabilities									
Interest bearing liabilities									
Deposits:									
Demand deposits	₩114,056	₩ 328	0.29%	₩ 118,621	₩ 348	0.29%	₩143,203	₩ 246	0.17%
Certificates of deposit	3,090	58	1.88	4,818	93	1.93	3,636	50	1.38
Time deposits	140,590	2,634	1.87	155,070	3,012	1.94	165,435	2,590	1.57
Deposits (total)	257,736	3,020	1.17	278,509	3,453	1.24	312,274	2,886	0.92
Borrowings	23,592	397	1.68	24,879	446	1.79	33,684	370	1.10
Debentures	21,471	502	2.34	20,865	517	2.48	23,029	445	1.93
Total average interest-bearing liabilities	302,799	3,919	1.29	324,253	4,416	1.36	368,987	3,701	1.00
Non-interest bearing liabilities									
Non-interest bearing demand deposits	4,061	—	—	3,987	—	—	4,565	—	—
Derivative financial liabilities	2,038	—	—	2,402	—	—	3,085	—	—
Financial liabilities at fair value through profit and loss	75	—	—	80	—	—	86	—	—
Other non-interest bearing liabilities	12,566	—	—	14,596	—	—	15,081	—	—
Total average non-interest bearing liabilities	18,740	—	—	21,065	—	—	22,817	—	—
Total average liabilities	321,539	3,919	1.22	345,318	4,416	1.28	391,804	3,701	0.94
Total equity	26,490	—	—	28,238	—	—	29,842	—	—
Total average liabilities and equity	₩348,029	₩3,919	1.13%	₩ 373,556	₩4,416	1.18%	₩421,646	₩3,701	0.88%

ANALYSIS OF CHANGES IN NET INTEREST INCOME—VOLUME AND RATE ANALYSIS

The following table provides an analysis of changes in the Issuer's interest income, interest expense and net interest income based on changes in volume and changes in rate for 2019 compared to 2018 and 2020 compared to 2019. Information is provided with respect to: (1) effects attributable to changes in volume (changes in volume multiplied by prior rate) and (2) effects attributable to changes in rate (changes in rate multiplied by prior volume). Changes attributable to the combined impact of changes in rate and volume have been allocated proportionately to the changes due to volume changes and changes due to rate changes.

	2019 vs. 2018 Increase/(decrease) due to changes in			2020 vs. 2019 Increase/(decrease) due to changes in		
	Volume	Rate	Total	Volume	Rate	Total
			(in billions of Won)			
Interest earning assets						
Cash and interest earning deposits in other banks	₩ (8)	₩ 4	₩ (4)	₩ 35	₩ (64)	₩ (29)
Financial assets at fair value through profit or loss (debt securities)[(1)]	16	(26)	(10)	43	(64)	(21)
Financial investments (debt securities)[(2)]	150	(56)	94	131	(258)	(127)
Loans:						
Corporate	188	93	281	455	(739)	(284)
Mortgage	223	20	243	284	(349)	(65)
Home Equity	(76)	19	(57)	(75)	(99)	(174)
Other consumer	168	(24)	144	161	(259)	(98)
Credit Cards	—	—	—	—	—	—
Foreign	76	(7)	69	383	90	473
Total interest income	737	23	760	1,417	(1,742)	(325)
Interest bearing liabilities						
Deposits:						
Demand deposits	20	0	20	61	(163)	(102)
Certificate of deposits	33	2	35	(20)	(23)	(43)
Other time deposits	277	101	378	188	(610)	(422)
Borrowings	22	27	49	128	(204)	(76)
Debentures	(14)	29	15	50	(122)	(72)
Total interest expense	338	159	497	407	(1,122)	(715)
Total net interest income	₩399	₩(136)	₩263	₩1,010	₩ (620)	₩ 390

(1) Includes deposits and loans at fair value through profit or loss. For information on interest income arising from such financial instruments, see Note 26 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular.

(2) Comprises financial assets at fair value through other comprehensive income and at amortised cost (formerly referred to as available-for-sale and held-to-maturity financial assets, respectively) and loans at fair value through fair value through other comprehensive income. For information on interest income arising from such financial instruments, see Note 26 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based on the Issuer’s consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020. This discussion should be read together with the Issuer’s consolidated financial statements and related notes included elsewhere in this Offering Circular. Unless otherwise specified, the information provided below is stated on a consolidated basis.

The Issuer prepares its financial statements in accordance with Korean IFRS, which differs in certain significant respects from U.S. GAAP. The Issuer has made no attempt to identify or quantify the impact of differences between Korean IFRS and U.S. GAAP.

OVERVIEW

Trends in the Korean Economy

The Issuer’s financial position and results of operations have been and will continue to be significantly affected by financial and economic conditions in Korea. In recent years, commercial banks, consumer finance companies and other financial institutions in Korea have made significant investments and engaged in aggressive marketing in retail lending (including mortgage and home equity loans), leading to substantially increased competition in this segment. From the second half of 2016 to 2020, the Government introduced various measures to tighten regulations on mortgage and other lending and housing subscription in response to the rapid growth in consumer debt and concerns over speculative investments in real estate in certain areas. Notwithstanding such measures, demand for residential property in certain areas, including Seoul, continued to increase through the end of 2020, and accompanied by an increase in the prices of such residential property, the Issuer’s portfolio of retail loans increased, on a separate basis, from ₩141,755 billion as of December 31, 2018 to ₩162,327 billion as of December 31, 2020. Nevertheless, a decrease in housing prices as a result of the implementation of such measures, together with the high level of consumer debt and deteriorating domestic and global economic conditions, could result in declines in consumer spending and reduced economic growth, which may lead to increases in delinquency levels of the Issuer’s retail loan portfolio. On a separate basis, the Issuer recorded charge-offs of ₩327 billion and provision for loan losses of ₩258 billion in respect of its retail loan portfolio in 2020, compared to charge-offs of ₩297 billion and provision for loan losses of ₩178 billion in 2018. See “*Risk Factors—Risks Relating to the Issuer’s Retail Credit Portfolio*.”

The Issuer’s loans to SMEs increased from ₩99,142 billion as of December 31, 2018 to ₩115,322 billion as of December 31, 2020. Substantial growth in lending in Korea to SMEs in recent years, and financial difficulties experienced by such enterprises as a result of, among other things, adverse changes in economic conditions in Korea and globally (such as the COVID-19 pandemic continuing to affect many countries worldwide, including Korea), may lead to increasing delinquencies and a deterioration in overall asset quality in the credit exposures of Korean banks to SMEs. On a separate basis, the Issuer recorded charge-offs of ₩13 billion in 2020 in respect of its loans to SMEs, compared to charge-offs of ₩31 billion in 2018. See “*Risk Factors—Risks Relating to the Issuer’s Small- and Medium-Sized Enterprise (SME) Loan Portfolio—The Issuer has significant exposure to SMEs, and any financial difficulties experienced by these customers may result in a deterioration of the Issuer’s asset quality and have an adverse impact on the Issuer*.”

The Korean economy is closely tied to, and is affected by developments in, the global economy. The overall prospects for the Korean and global economy remain uncertain. In recent years and in 2021, the global financial markets have experienced significant volatility as a result of, among other things:

- the occurrence of severe health pandemics, such as the global outbreak of the COVID-19 pandemic, or other severe health epidemics in Korea or other parts of the world, such as the Middle East Respiratory Syndrome outbreak in Korea in 2015;
- interest rate fluctuations as well as perceived or actual changes in policy rates by, or other monetary and fiscal policies set forth by, the U.S. Federal Reserve and other central banks;

- financial and social difficulties affecting many countries worldwide, in particular in Latin America and Europe;
- a deterioration in economic and trade relations between the United States and its major trading partners, including China;
- escalations in trade protectionism globally and geopolitical tensions in East Asia and the Middle East;
- the slowdown of economic growth in China and other major emerging market economies;
- increased uncertainties resulting from the United Kingdom's exit from the European Union; and
- political and social instability in various countries in the Middle East, including Syria, Iraq and Yemen.

In light of the high level of interdependence of the global economy, unfavourable changes in the global financial markets, including as a result of any of the foregoing developments, could have a material adverse effect on the Korean economy and financial markets, and in turn on the Issuer's business, financial condition and results of operations. In particular, the global outbreak of COVID-19, which was declared a "pandemic" by The World Health Organization in March 2020, has led to significant global economic and financial disruptions, including an adverse impact on international trade and business activities, sharp declines and significant volatility in the financial markets as well as decreases in interest rates worldwide. Although there have been mixed signs of recovery in the domestic and global economy resulting from the availability of COVID-19 vaccinations and gradual normalization of business activities, the extent to which the COVID-19 pandemic continues to impact Korea and its economy will depend on future developments, including the scope and duration of the ongoing outbreak of the COVID-19 pandemic as well as the efficacy of actions taken by governmental authorities, central banks and other third parties around the world in response to the pandemic. See "*Risk Factors—Other risks relating to the Issuer's business—The ongoing global pandemic of COVID-19 and any possible recurrence of other types of widespread infectious disease may adversely affect the Issuer's business, financial condition or results of operations*."

The Issuer is also exposed to adverse changes and volatility in the global and Korean financial markets as a result of the Issuer's liabilities and assets denominated in foreign currencies and the Issuer's holdings of trading and investment securities, including structured products. The value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has fluctuated widely in recent years, in particular as a result of the COVID-19 pandemic. A depreciation of the Won will increase the Issuer's cost in Won of servicing the Issuer's foreign currency-denominated debt, while continued exchange rate volatility may also result in foreign exchange losses for the Issuer. Furthermore, as a result of the deterioration in global and Korean economic conditions, there has been downward pressures on securities prices, including the stock prices of Korean and foreign companies in which the Issuer holds an interest. Such developments have resulted in and may lead to further trading and valuation losses on the Issuer's trading and investment securities portfolio as well as impairment losses on its investments accounted for under the equity method.

As a result of the ongoing impact of the COVID-19 pandemic on the Korean and global economies and financial markets, as well as factors such as fluctuations in oil and commodity prices, interest and exchange rate fluctuations, higher unemployment, lower consumer confidence, stock market volatility, changes in fiscal and monetary policies and continued tensions with North Korea, the economic outlook for the financial services sector in Korea in 2021 and for the foreseeable future remains highly uncertain.

Changes in Securities Values, Exchange Rates and Interest Rates

Fluctuations of exchange rates, interest rates and stock prices affect, among other things, the demand for the Issuer's products and services, the value of and rate of return on the Issuer's assets, the availability and cost of funding and the financial condition of the Issuer's customers. The following table shows, for the dates indicated, the stock price index of all equities listed on the KRX KOSPI Market as published in the KOSPI, the Won to U.S. dollar exchange rates and benchmark Won borrowing interest rates.

	June 30, 2018	Dec. 31, 2018	June 30, 2019	Dec. 31, 2019	June 30, 2020	Dec. 31, 2020
KOSPI	2,326.13	2,041.04(4)	2,130.62	2,197.67(5)	2,108.33	2,873.47(6)
₩/US$ exchange rates(1)	₩ 1,121.7	₩ 1,118.1	₩ 1,156.8	₩ 1,157.8	₩ 1,200.7	₩ 1,088.0
Corporate bond rates(2)	2.77%	2.29%	1.98%	1.99%	1.78%	1.70%
Treasury bond rates(3)	2.12%	1.82%	1.47%	1.36%	0.85%	0.97%

Notes:

(1) Represents the Market Average Exchange Rate.

(2) Measured by the yield on three-year Korean corporate bonds rated as AA- by the Korean credit rating agencies.

(3) Measured by the yield on three-year treasury bonds issued by the Ministry of Economy and Finance of Korea.

(4) As of December 31, 2018, the last day of trading for the KRX KOSPI Market in 2018.

(5) As of December 30, 2019, the last day of trading for the KRX KOSPI Market in 2019.

(6) As of December 30, 2020, the last day of trading for the KRX KOSPI Market in 2020.

Critical Accounting Policies

The Issuer's consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 included in this Offering Circular have been prepared in accordance with Korean IFRS. The preparation of these financial statements requires the Issuer to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities. See Notes 2.4 and 3 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular for summaries of the Issuer's significant accounting policies that are critical to the portrayal of the Issuer's financial condition since they require the Issuer's management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain, and because of the possibility that future events affecting these estimates may differ significantly from management's current judgment.

RESULTS OF OPERATIONS

Net Interest Income

The following table shows, for the periods indicated, the principal components of the Issuer's net interest income:

	Year ended December 31,			Percentage Change	
	2018	2019	2020	2019/2018	2020/2019
	(in billions of Won, except percentages)				
Interest income					
Due from financial institutions at amortised cost(1)	68	65	37	(4.4)	(43.1)
Loans at amortised cost	8,905	9,585	9,437	7.6	(1.5)
Financial assets at fair value through profit or loss(2)	222	212	191	(4.5)	(9.9)
Financial investments (debt securities)(3)	824	918	791	11.4	(13.8)
Total interest income	10,020	10,780	10,456	7.6	(3.0)
Interest expense					
Deposits	3,020	3,453	2,886	14.3	(16.4)
Borrowings	397	446	370	12.3	(17.0)
Debentures	502	517	445	3.0	(13.9)
Total interest expense	3,919	4,416	3,701	12.7	(16.2)
Net interest income	₩ 6,101	₩ 6,364	₩ 6,755	4.3	6.1
Net interest margin(4)	1.92%	1.86%	1.74%		

Notes:

(1) Consists of cash and interest-earning deposits in other banks.

(2) Includes securities and loans at fair value through profit or loss. For information on interest income arising from such financial instruments, see Note 26 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular.

(3) Consists of debt securities in the Issuer's financial assets at fair value through other comprehensive income and at amortised cost (or available-for-sale and held-to-maturity financial asset) portfolios and loans at fair value through other comprehensive income. For information on interest income arising from such financial instruments, see Note 26 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular.

(4) The ratio of net interest income to average interest-earning assets.

Comparison of 2020 to 2019

Interest income

Interest income decreased 3.0% from ₩10,780 billion in 2019 to ₩10,456 billion in 2020, primarily as a result of a 1.5% decrease in interest on loans, which was enhanced by a 13.8% decrease in interest on financial investments. The average yields on the Issuer's interest-earning assets decreased 47 basis points from 3.16% in 2019 to 2.69% in 2020, which mainly reflected an overall decrease in the general level of interest rates in Korea in 2020 compared to 2019. The effect of such decrease was partially offset by a 13.7% increase in the average balance of the Issuer's interest-earning assets from ₩341,517 billion in 2019 to ₩388,343 billion in 2020, principally due to the growth in the Issuer's loan and financial investment portfolios.

The 1.5% decrease in interest on loans from ₩9,585 billion in 2019 to ₩9,437 billion in 2020 was primarily the result of:

- a 52 basis point decrease in the average yields on corporate loans from 3.31% in 2019 to 2.79% in 2020, which was partly offset by an 11.2% increase in the average volume of such loans from ₩132,343 billion in 2019 to ₩147,171 billion in 2020;
- a 35 basis point decrease in the average yields on home equity loans from 3.18% in 2019 to 2.83% in 2020, which was enhanced by an 8.3% decrease in the average volume of such loans from ₩29,307 billion in 2019 to ₩26,860 billion in 2020;

- a 57 basis point decrease in the average yields on other consumer loans from 4.21% in 2019 to 3.64% in 2020, which was partially offset by a 9.5% increase in the average volume of such loans from ₩42,730 billion in 2019 to ₩46,810 billion in 2020; and
- a 45 basis point decrease in the average yields on mortgage loans from 3.06% in 2019 to 2.61% in 2020, which was partially offset by a 13.9% increase in the average volume of such loans from ₩72,242 billion in 2019 to ₩82,270 billion in 2020;

which were in significant part offset by:

- a 122.4% increase in the average volume of foreign loans from ₩6,007 billion in 2019 to ₩13,360 billion in 2020, which was enhanced by a 121 basis point increase in the average yields on such loans from 4.23% in 2019 to 5.44% in 2020.

The decreases in the average yields on corporate, home equity, other consumer and mortgage loans mainly reflected the overall decrease in the general level of interest rates in Korea in 2020 compared to 2019. The increase in the average yields on foreign loans was primarily attributable to the reflection of higher average yields applicable to existing foreign loans of Bank Bukopin and PRASAC Microfinance Institution Plc., which were acquired by the Issuer in 2020. The increases in the average volumes of corporate, other consumer, mortgage and foreign loans were attributable primarily to increased demand from borrowers in need of financing in light of the COVID-19 pandemic, as well as an increase in home purchases by borrowers in the case of mortgage loans. The decrease in the average volume of home equity loans was mainly the result of increased government regulations applicable to such loans, which led to a decrease in demand for such loans.

Overall, the average yields on the Issuer's loans decreased by 41 basis points from 3.39% in 2019 to 2.98% in 2020, while the average volume of the Issuer's loans increased 12.0% from ₩282,629 billion in 2019 to ₩316,494 billion in 2020.

The Issuer's financial investments portfolio consists of financial assets at fair value through other comprehensive income and financial instruments at amortised cost, including debt securities issued by government-owned or -controlled enterprises or financial institutions and debt securities issued by Korean banks and other financial institutions. The 13.8% decrease in interest on financial investments from ₩918 billion in 2019 to ₩791 billion in 2020 was primarily due to a 52 basis point decrease in the average yields of such financial investments from 2.03% in 2019 to 1.51% in 2020, which was partially offset by a 15.7% increase in the average volume of such financial investments from ₩45,310 billion in 2019 to ₩52,412 billion in 2020. The decrease in the average yields on financial investments mainly reflected the decrease in the general level of interest rates in Korea. The increase in the average volume of financial investments was primarily due to an increase in the Issuer's purchases of debt securities issued by Korean governmental agencies.

Interest expense

Interest expense decreased 16.2% from ₩4,416 billion in 2019 to ₩3,701 billion in 2020, primarily due to a 16.4% decrease in interest expense on deposits, which was enhanced by a 17.0% decrease in interest expense on borrowings and a 13.9% decrease in interest expense on debentures. The average cost of the Issuer's interest-bearing liabilities decreased 36 basis points from 1.36% in 2019 to 1.00% in 2020, which principally reflected the decrease in the general level of interest rates in Korea in 2020 compared to 2019. The effect of this decrease was partially offset by a 13.8% increase in the average volume of the Issuer's interest-bearing liabilities from ₩324,253 billion in 2019 to ₩368,987 billion in 2020, which were led by increases in the average volumes of demand deposits.

The 16.4% decrease in interest expense on deposits from ₩3,453 billion in 2019 to ₩2,886 billion in 2020 was primarily due to:

- a 37 basis point decrease in the average cost of time deposits from 1.94% in 2019 to 1.57% in 2020, which was partially offset by a 6.7% increase in the average volume of such deposits from ₩155,070 billion in 2019 to ₩165,435 billion in 2020; and
- a 12 basis point decrease in the average cost of demand deposits from 0.29% in 2019 to 0.17% in 2020, which was partially offset by a 20.7% increase in the average volume of such deposits from ₩118,621 billion in 2019 to ₩143,203 billion in 2020.

The decrease in the average cost of such deposits was principally due to the decrease in the general level of interest rates in Korea in 2020 compared to 2019. The increases in the average volumes of time and demand deposits mainly reflected customers' continuing preference for low-risk products and institutions in Korea in light of the continuing uncertainty in financial markets in 2020 resulting from the COVID-19 pandemic. Overall, the average cost of the Issuer's deposits decreased by 32 basis points from 1.24% in 2019 to 0.92% in 2020, while the average volume of the Issuer's deposits increased 12.1% from ₩278,509 billion in 2019 to ₩312,274 billion in 2020.

The 17.0% decrease in interest expense on borrowings from ₩446 billion in 2019 to ₩370 billion in 2020 was principally attributable to a 69 basis point decrease in the average cost of borrowings from 1.79% in 2019 to 1.10% in 2020, which was partially offset by a 35.4% increase in the average volume of borrowings from ₩24,879 billion in 2019 to ₩33,684 billion in 2020. The decrease in the average cost of borrowings mainly reflected the decrease in the general level of interest rates in Korea in 2020 compared to 2019, while the increase in the average volume of borrowings was primarily due to the Issuer's increased use of borrowings to meet its funding needs in light of the lower interest rate environment in Korea.

The 13.9% decrease in interest expense on debentures from ₩517 billion in 2019 to ₩445 billion in 2020 was primarily due to a 55 basis point decrease in the average cost of debentures from 2.48% in 2019 to 1.93% in 2020, which was partially offset by a 10.4% increase in the average volume of debentures from ₩20,865 billion in 2019 to ₩23,029 billion in 2020. The decrease in the average cost of debentures mainly reflected a decrease in interest rates applicable to debentures in 2020 in light of the lower interest rate environment, while the increase in the average volume of debentures was principally due to the Issuer's increased use of debentures to meet its funding needs in light of the lower interest rate environment in Korea.

Net interest margin

Net interest margin represents the ratio of net interest income to average interest-earning assets. The Issuer's overall net interest margin decreased from 1.86% in 2019 to 1.74% in 2020, as a 6.1% increase in the Issuer's net interest income from ₩6,364 billion in 2019 to ₩6,755 billion in 2020 was outpaced by a 13.7% increase in the average volume of the Issuer's interest-earning assets from ₩341,517 billion in 2019 to ₩388,343 billion in 2020. The growth in the average volume of the Issuer's interest-earning assets outpaced a 13.8% increase in the average volume of the Issuer's interest-bearing liabilities from ₩324,253 billion in 2019 to ₩368,987 billion in 2020, while the decrease in interest expense outpaced a decrease in interest income, resulting in an increase in net interest income. However, the Issuer's net interest spread, which represents the difference between the average yield on the Issuer's interest-earning assets and the average cost of the Issuer's interest-bearing liabilities, decreased from 1.80% in 2019 to 1.69% in 2020. The decrease in the Issuer's net interest spread reflected a larger decrease in the average yield of the Issuer's interest-earning assets compared to the decrease in the average cost of the Issuer's interest-bearing liabilities, primarily due to the earlier adjustment of interest rates on interest-earning assets compared to interest rates on interest-bearing liabilities in the context of a lower interest rate environment in 2020 compared to 2019.

Comparison of 2019 to 2018

Interest income

Interest income increased 7.6% from ₩10,020 billion in 2018 to ₩10,780 billion in 2019, primarily as a result of a 7.6% increase in interest on loans, which was enhanced by an 11.4% increase in interest on financial investments. Such increase was partially offset by a 4.5% decrease in interest on financial assets at fair value through profit or loss. The average balance of the Issuer's interest-earning assets increased 7.4% from ₩317,996 billion in 2018 to ₩341,517 billion in 2019, principally due to the growth in the Issuer's loan and financial investment portfolios. The effect of such increase was enhanced by a 1 basis point increase in average yields on the Issuer's interest-earning assets from 3.15% in 2018 to 3.16% in 2019, which mainly reflected an increase in the general level of interest rates in Korea in 2019 compared to 2018.

The 7.6% increase in interest on loans from ₩8,905 billion in 2018 to ₩9,585 billion in 2019 was primarily the result of:

- a 4.4% increase in the average volume of corporate loans from ₩126,799 billion in 2018 to ₩132,343 billion in 2019, which was enhanced by a 7 basis point increase in the average yields on such loans from 3.24% in 2018 to 3.31% in 2019;
- an 11.1% increase in the average volume of mortgage loans from ₩65,038 billion in 2018 to ₩72,242 billion in 2019, which was enhanced by a 3 basis point increase in the average yields on such loans from 3.03% in 2018 to 3.06% in 2019; and
- a 10.3% increase in the average volume of other consumer loans from ₩38,737 billion in 2018 to ₩42,730 billion in 2019, which was partially offset by a 6 basis point decrease in the average yields on such loans from 4.27% in 2018 to 4.21% in 2019.

The increase in the average volumes of corporate loans mainly reflected the Issuer's increased marketing efforts and increased demand for such loans from corporate borrowers in Korea. The increase in the average volumes of mortgage loans and other consumer loans was attributable primarily to higher demand for such loans among consumers in Korea. The average yields on corporate loans and mortgage loans increased mainly as a result of an increase in the general level of interest rates in Korea in 2019 compared to 2018. The average yields on other consumer loans decreased primarily as a result of a decrease in interest rates applicable to such loans commencing in the second half of 2019, which was reflected in such loans earlier than in other types of loans.

Overall, the average volume of the Issuer's loans increased 6.0% from ₩266,575 billion in 2018 to ₩282,629 billion in 2019, while the average yields on the Issuer's loans increased by 5 basis points from 3.34% in 2018 to 3.39% in 2019.

The 11.4% increase in interest on financial investments from ₩824 billion in 2018 to ₩918 billion in 2019 was primarily due to a 19.2% increase in the average volume of such financial investments from ₩38,018 billion in 2018 to ₩45,310 billion in 2019, which was partially offset by a 14 basis point decrease in the average yields on such financial investments from 2.17% in 2018 to 2.03% in 2019. The increase in the average volume of such financial investments was principally due to an increase in the Issuer's purchases of debt securities issued by Korean banks and other financial institutions. The decrease in the average yields on such financial investments mainly reflected a decrease in the general level of interest rates in Korea commencing in the second half of 2019, which was reflected in financial investments earlier than in other types of interest-earning assets.

Interest on financial assets at fair value through profit or loss decreased 4.5% from ₩222 billion in 2018 to ₩212 billion in 2019, primarily due to a 28 basis point decrease in the average yields on such financial assets from 2.52% in 2018 to 2.24% in 2019. Such decrease mainly reflected a decrease in the general level of interest rates in Korea commencing in the second half of 2019, which was reflected in financial assets at fair value through profit or loss earlier than in other types of interest-earning assets.

Interest expense

Interest expense increased 12.7% from ₩3,919 billion in 2018 to ₩4,416 billion in 2019, primarily due to a 14.3% increase in interest expense on deposits, which was enhanced by a 12.3% increase in interest expense on borrowings. The average volume of the Issuer's interest-bearing liabilities increased 7.1% from ₩302,799 billion in 2018 to ₩324,253 billion in 2019, which principally reflected an increase in the average volume of time deposits. The effect of this increase was enhanced by a 7 basis point increase in the average cost of the Issuer's interest-bearing liabilities from 1.29% in 2018 to 1.36% in 2019, which was driven mainly by an increase in the general level of interest rates in Korea in 2019 compared to 2018.

The 14.3% increase in interest expense on deposits from ₩3,020 billion in 2018 to ₩3,453 billion in 2019 was primarily due to a 10.3% increase in the average volume of time deposits from ₩140,590 billion in 2018 to ₩155,070 billion in 2019, which was enhanced by a 7 basis point increase in the average cost of such deposits from 1.87% in 2018 to 1.94% in 2019. The increase in the average volume of time deposits was principally due to customers' continuing preference for low-risk products and institutions in Korea in light of increased uncertainties in domestic and global financial markets in 2019. The increase in the average cost of time deposits mainly reflected an increase in the general level of interest rates in Korea in 2019 compared to 2018. Overall, the average volume of the Issuer's deposits increased 8.1% from ₩257,736 billion in 2018 to ₩278,509 billion in 2019, while the average cost of the Issuer's deposits increased by 7 basis points from 1.17% in 2018 to 1.24% in 2019.

The 12.3% increase in interest expense on borrowings from ₩397 billion in 2018 to ₩446 billion in 2019 was principally attributable to an 11 basis point increase in the average cost of borrowings from 1.68% in 2018 to 1.79% in 2019, which was enhanced by a 5.5% increase in the average volume of borrowings from ₩23,592 billion in 2018 to ₩24,879 billion in 2019. The increase in the average cost of borrowings mainly reflected an increase in the general level of interest rates in Korea in 2019 compared to 2018, while the increase in the average volume of borrowings was primarily due to the Issuer's increased use of borrowings to meet its funding needs.

Net interest margin

The Issuer's overall net interest margin decreased from 1.92% in 2018 to 1.86% in 2019, as a 4.3% increase in the Issuer's net interest income from ₩6,101 billion in 2018 to ₩6,364 billion in 2019 was outpaced by a 7.4% increase in the average volume of the Issuer's interest-earning assets from ₩317,996 billion in 2018 to ₩341,517 billion in 2019. The growth in the average volume of the Issuer's interest-earning assets outpaced a 7.1% increase in the average volume of the Issuer's interest-bearing liabilities from ₩302,799 billion in 2018 to ₩324,253 billion in 2019, while the increase in interest income outpaced an increase in interest expense, resulting in an increase in net interest income. However, the Issuer's net interest spread decreased from 1.86% in 2018 to 1.80% in 2019. The decrease in the Issuer's net interest spread reflected a larger increase in the average cost of the Issuer's interest-bearing liabilities, relative to the increase in the average yield of the Issuer's interest-earning assets, primarily due to the earlier adjustment of interest rates on interest-earning assets compared to interest rates on interest-bearing liabilities in the context of a lower interest rate environment in the second half of 2019.

Provision for Credit Losses

Provision for credit losses includes provision for loan losses, provision for unused loan commitments, provision for acceptances and guarantees, provision for financial guarantee contracts and provision for other financial assets, in each case net of reversal of provisions. For a discussion of the Issuer's loan loss provisioning policy, see "*Assets and Liabilities—Loan Portfolio—Provisioning Policy*."

In accordance with the guidelines of the FSS, if the Issuer's provision for loan losses is deemed insufficient for regulatory purposes, the Issuer compensates for the difference by recording a regulatory reserve for credit losses, which is segregated within retained earnings. See "*Assets and Liabilities—Loan Portfolio—Regulatory Reserve for Credit Losses*" and Note 25.5 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular.

Comparison of 2020 to 2019

The Issuer's provision for credit losses increased more than threefold from ₩104 billion in 2019 to ₩484 billion in 2020, primarily due to an increase in provision for loan losses in respect of the Issuer's corporate loans, primarily due to the Issuer's preemptive measures to account for a potential increase in expected loan losses that could result from a deterioration in the overall asset quality of its corporate loan portfolios due to the COVID-19 pandemic, as well as an increase in the volumes of such loans.

The Issuer's loan write-offs increased 20.2% from ₩540 billion in 2019 to ₩649 billion in 2020, primarily due to an increase in write-offs of corporate loans.

The Issuer's provision for credit losses of acceptances and guarantees and unused loan commitments changed from a reversal of provision of ₩7 billion in 2019 to a provision of ₩51 billion in 2020, due mainly to a change in provision for credit losses of unused loan commitments from a reversal of provision of ₩9 billion in 2019 to a provision of ₩64 billion in 2020.

Comparison of 2019 to 2018

The Issuer's provision for credit losses increased 10.6% from ₩94 billion in 2018 to ₩104 billion in 2019, primarily due to an increase in provision for loan losses in respect of the Issuer's retail loans. Such increase resulted mainly from a deterioration in the overall asset quality of the Issuer's retail loan portfolio. The effect of such increase was offset in part by a decrease in provision for loan losses in respect of the Issuer's corporate loans, which was attributable primarily to an improvement in the overall asset quality of the Issuer's corporate loan portfolio.

The Issuer's write-offs of retail and corporate loans increased 2.7% from ₩526 billion in 2018 to ₩540 billion in 2019, primarily due to an increase in write-offs of retail loans.

The Issuer's reversal of provision for acceptances and guarantees and unused loan commitments decreased 70.8% from ₩24 billion in 2018 to ₩7 billion in 2019, due mainly to a change in provision for acceptances and guarantees from a reversal of provision of ₩26 billion in 2018 to a provision of ₩2 billion in 2019.

Net Fee and Commission Income

The following table shows, for the periods indicated, the components of the Issuer's net fee and commission income:

	Year ended December 31,			Percentage Change	
	2018	2019	2020	2019/2018	2020/2019
	(in billions of Won, except percentages)			(%)	
Fee and commission income	₩1,423	₩1,483	₩1,450	4.2%	(2.2)%
Fee and commission expense	(300)	(350)	(382)	16.7	9.1
Net fee and commission income	₩1,123	₩1,133	₩1,068	0.9	(5.7)

Comparison of 2020 to 2019

The Issuer's net fee and commission income decreased 5.7% from ₩1,133 billion in 2019 to ₩1,068 billion in 2020, due to a 2.2% decrease in fee and commission income from ₩1,483 billion in 2019 to ₩1,450 billion in 2020, which was enhanced by a 9.1% increase in fee and commission expense from ₩350 billion in 2019 to ₩382 billion in 2020.

The 2.2% decrease in fee and commission income was mainly the result of decreases in trust and other fiduciary fees and banking activity fees, which was offset in part by increases in security activity commissions, foreign currency related fees and lending activity fees. Trust and other fiduciary fees decreased 24.0% from ₩308 billion in 2019 to ₩234 billion in 2020, principally as a result of a decrease in sales of money trust products. Banking activity fees decreased 11.7% from ₩222 billion in 2019 to ₩196 billion in 2020, primarily due to a decrease in the use of firm banking services as the use of open banking network increased. Security activity commissions increased 18.6% from ₩129 billion in 2019 to ₩153 billion in 2020, which mainly reflected an increase in the sale of various securities fund products. Foreign currency related fees increased 11.0% from ₩100 billion in 2019 to ₩111 billion in 2020 and lending activity fees increased 13.2% from ₩76 billion in 2019 to ₩86 billion in 2020.

The 9.1% increase in fee and commission expense was attributable primarily to increases in outsourcing related fees and lending activity fees. Outsourcing related fees increased 13.5% from ₩96 billion in 2019 to ₩109 billion in 2020, due mainly to an increase in advisory and consulting fees relating to various acquisitions made by the Issuer in 2020. Lending activity fees increased by 28.1% from ₩32 billion in 2019 to ₩41 billion in 2020, primarily due to increases in fees paid to insurance guarantee service providers and fees related to collateral acquisition.

Comparison of 2019 to 2018

The Issuer's net fee and commission income increased 0.9% from ₩1,123 billion in 2018 to ₩1,133 billion in 2019, as a 4.2% increase in fee and commission income from ₩1,423 billion in 2018 to ₩1,483 billion in 2019 more than offset a 16.7% increase in fee and commission expense from ₩300 billion in 2018 to ₩350 billion in 2019.

The 4.2% increase in fee and commission income was mainly the result of increases in trust and other fiduciary fees and banking activity fees. Trust and other fiduciary fees increased 7.3% from ₩287 billion in 2018 to ₩308 billion in 2019, principally as a result of an increase in sales of equity-linked savings products. Banking activity fees increased 6.2% from ₩209 billion in 2018 to ₩222 billion in 2019, primarily due to an increase in transfer fees related to third-party mobile payment services. The effect of such increases was offset in part by a 12.2% decrease in security activity commissions from ₩147 billion in 2018 to ₩129 billion in 2019, which mainly reflected a decrease in sales of funds.

The 16.7% increase in fee and commission expense was attributable primarily to an increase in outsourcing related fees and credit card related fees paid. Outsourcing related fees increased 21.5% from ₩79 billion in 2018 to ₩96 billion in 2019, due mainly to an increase in consulting and other miscellaneous fees paid. Credit card related fees increased 61.1% from ₩18 billion in 2018 to ₩29 billion in 2019, principally as a result of an increase in the Issuer's portion of fees incurred with respect to credit cards issued by KB Kookmin Card.

Net Gain (Loss) on Financial Assets and Liabilities at Fair Value through Profit or Loss

The following table shows, for the periods indicated, the components of the Issuer's net gain on financial assets and liabilities at fair value through profit or loss:

	Year ended December 31,			Percentage Change	
	2018	2019	2020	2019/2018	2020/2019
	(in billions of Won, except percentages)			(%)	
Net gain (loss) on financial assets at fair value through profit or loss	₩ 74	₩242	₩292	227.0%	20.7%
Net gain (loss) on derivatives at fair value through profit or loss	252	181	(48)	(28.2)	N/M(1)
Net gain (loss) on financial liabilities at fair value through profit or loss	0	(0)	(0)	N/M	N/M
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	₩326	₩423	₩244	29.8	(42.3)

Note:
(1) "N/M" means not meaningful.

Comparison of 2020 to 2019

The Issuer's net gain on financial assets and liabilities at fair value through profit or loss decreased 42.3% from ₩423 billion in 2019 to ₩244 billion in 2020, primarily as a result of a change in net gain (loss) on derivatives at fair value through profit or loss from a net gain of ₩181 billion in 2019 to a net loss of ₩48 billion in 2020. Such change was principally due to a 86.3% decrease in net gain on currency derivatives at fair value through profit or loss from ₩263 billion in 2019 to ₩36 billion in 2020.

Comparison of 2019 to 2018

The Issuer's net gain on financial assets and liabilities at fair value through profit or loss increased 29.8% from ₩326 billion in 2018 to ₩423 billion in 2019, primarily as a result of a more than twofold increase in net gain on financial assets at fair value through profit or loss from ₩74 billion in 2018 to ₩242 billion in 2019. Such increase was principally due to a 169.1% increase in net gain on debt securities at fair value through profit or loss from ₩81 billion in 2018 to ₩218 billion in 2019, the effect of which was enhanced by a change in net gain (loss) on equity securities at fair value through profit or loss from a net loss of ₩7 billion in 2018 to a net gain of ₩24 billion in 2019.

For further information regarding the Issuer's net gain on financial instruments at fair value through profit or loss, see Note 28 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular.

General and Administrative Expenses

The following table shows, for the periods indicated, the components of the Issuer's general and administrative expenses:

	Year ended December 31,			Percentage Change	
	2018	2019	2020	2019/2018	2020/2019
	(in billions of Won, except percentages)			(%)	
Employee benefits	₩2,536	₩2,521	₩2,748	(0.6)%	9.0%
Depreciation and amortisation	246	509	570	106.9	12.0
Other general and administrative expenses	984	857	883	(12.9)	3.0
General and administrative expenses	₩3,767	₩3,887	₩4,201	3.2	8.1

Comparison of 2020 to 2019

The Issuer's general and administrative expenses increased 8.1% from ₩3,887 billion in 2019 to ₩4,201 billion in 2020, primarily as a result of a 9.0% increase in employee benefits from ₩2,521 billion in 2019 to ₩2,748 billion in 2020, which was enhanced by a 12.0% increase in depreciation and amortisation from ₩509 billion in 2019 to ₩570 billion in 2020. The increase in employee benefits was mainly attributable to a 7.8% increase in salaries from ₩1,489 billion in 2019 to ₩1,605 billion in 2020, primarily as a result of an increase in the number of the Issuer's employees due to its acquisition of PRASAC Microfinance Institution Limited and Bank Bukopin in 2020, which was enhanced by a 41.1% increase in termination benefits from ₩214 billion in 2019 to ₩302 billion in 2020, primarily as a result of the Issuer's implementation of an early retirement program in December 2020. The increase in depreciation and amortisation was principally due to the Issuer's implementation of the K-project, its next generation IT system, and its construction of an integrated IT centre.

Comparison of 2019 to 2018

The Issuer's general and administrative expenses increased 3.2% from ₩3,767 billion in 2018 to ₩3,887 billion in 2019, primarily as a result of a 106.9% increase in depreciation and amortisation from ₩246 billion in 2018 to ₩509 billion in 2019, which was offset in part by a 12.9% decrease in other general and administrative expenses from ₩984 billion in 2018 to ₩857 billion in 2019. The increase in depreciation and amortisation was mainly attributable to an increase in depreciation and amortisation expenses related to the Issuer's right-of-use assets pursuant to the Issuer's adoption of Korean IFRS 1116. For additional information regarding Korean IFRS 1116 and the impact of its application on the Issuer's consolidated financial statements, see Notes 2.1 and 42 of the notes to the Issuer's consolidated financial statements for 2018 and 2019 included elsewhere in this Offering Circular. The decrease in other general and administrative expenses was principally due to a 76.1% decrease in rental expenses from ₩259 billion in 2018 to ₩62 billion in 2019, which resulted mainly from the Issuer's adoption of Korean IFRS 1116, as discussed above.

Net Other Operating Expenses

The following table shows, for the periods indicated, the components of the Issuer's net other operating expenses:

	Year ended December 31,			Percentage Change	
	2018	2019	2020	2019/2018	2020/2019
	(in billions of Won, except percentages)			(%)	
Other operating income	₩ 1,384	₩ 1,915	₩ 2,975	38.4%	55.4%
Other operating expenses	(2,080)	(2,515)	(3,205)	20.9	27.4
Net other operating expenses	₩ (696)	₩ (601)	₩ (230)	(13.6)	(61.7)

Comparison of 2020 to 2019

The Issuer's net other operating expenses decreased 61.7% from ₩601 billion in 2019 to ₩230 billion in 2020, as a 55.4% increase in other operating income from ₩1,915 billion in 2019 to ₩2,975 billion in 2020 outpaced a 27.4% increase in other operating expenses from ₩2,515 billion in 2019 to ₩3,205 billion in 2020.

Other operating income includes principally gain on foreign exchange transactions, gain on sale of financial assets at fair value through other comprehensive income, dividend income and other income. The 55.4% increase in other operating income was attributable primarily to a 58.2% increase in gain on foreign exchange transactions from ₩1,554 billion in 2019 to ₩2,458 billion in 2020. The increase in gain on foreign exchange transactions, which was mainly the result of increased exchange rate volatility, was offset in part by a corresponding increase in loss on foreign exchange transactions, which is recorded as part of other operating expenses. On a net basis, the Issuer's net gain on foreign exchange transactions increased from ₩39 billion in 2019 to ₩364 billion in 2020.

Other operating expenses include principally loss on foreign exchange transactions, loss on sale of financial assets at fair value through other comprehensive income, loss on sale of financial assets at amortised cost and other expenses. The 27.4% increase in other operating expenses was primarily the result of a 38.2% increase in loss on foreign exchange transactions from ₩1,515 billion in 2019 to ₩2,094 billion in 2020. The increase in loss on foreign exchange transactions, which was principally due to increased exchange rate volatility, was more than offset by an increase in gain on foreign exchange transactions, which is recorded as part of other operating income, as discussed above.

Comparison of 2019 to 2018

The Issuer's net other operating expenses decreased 13.6% from ₩696 billion in 2018 to ₩601 billion in 2019, as a 38.4% increase in other operating income from ₩1,384 billion in 2018 to ₩1,915 billion in 2019 outpaced a 20.9% increase in other operating expenses from ₩2,080 billion in 2018 to ₩2,515 billion in 2019.

Other operating income includes principally gain on foreign exchange transactions, gain on sale of financial assets at fair value through other comprehensive income, dividend income and other income. The 38.4% increase in other operating income was attributable primarily to a 35.4% increase in gain on foreign exchange transactions from ₩1,148 billion in 2018 to ₩1,554 billion in 2019. The increase in gain on foreign exchange transactions, which was mainly the result of increased exchange rate volatility, was offset in part by a corresponding increase in loss on foreign exchange transactions, which is recorded as part of other operating expenses. On a net basis, the Issuer's net gain (loss) on foreign exchange transactions changed from a net loss of ₩64 billion in 2018 to a net gain of ₩39 billion in 2019.

Other operating expenses include principally loss on foreign exchange transactions, loss on sale of financial assets at fair value through other comprehensive income, loss on sale of financial assets at amortised cost and other expenses. The 20.9% increase in other operating expenses was primarily the result of a 25.0% increase in loss on foreign exchange transactions from ₩1,212 billion in 2018 to ₩1,515 billion in 2019. The increase in loss on foreign exchange transactions, which was principally due to an increase in the volume of the Issuer's foreign currency transactions, was more than offset by an increase in gain on foreign exchange transactions, which is recorded as part of other operating income, as discussed above.

Net Non-operating Income (Expenses)

The following table shows, for the periods indicated, the components of the Issuer's net non-operating income (expenses):

	Year ended December 31,			Percentage Change	
	2018	2019	2020	2019/2018	2020/2019
	(in billions of Won, except percentages)			(%)	
Non-operating income	₩ 197	₩ 86	₩ 160	(56.3)%	86.0%
Non-operating expenses	(153)	(125)	(131)	(18.3)	4.8
Net non-operating income (expenses)	₩ 44	₩ (39)	₩ 29	N/M(1)	N/M

Note:
(1) "N/M" means not meaningful.

Comparison of 2020 to 2019

The Issuer's net non-operating income (expenses) changed from net expenses of ₩39 billion in 2019 to net income of ₩29 billion in 2020, principally as a result of a 86.0% increase in non-operating income from ₩86 billion in 2019 to ₩160 billion in 2020, which outpaced a 4.8% increase in non-operating expense from ₩125 billion in 2019 to ₩131 billion in 2020.

The 86.0% increase in non-operating income was attributable mainly to a significant increase in gains on disposal of property and equipment and assets held for sale from ₩3 billion in 2019 to ₩98 billion in 2020. Such increase was primarily due to the recognition of gains resulting from the sale of an interest in KB Financial Tower.

The 4.8% increase in non-operating expenses resulted principally from a 6.0% increase in donations from ₩84 billion in 2019 to ₩89 billion in 2020.

Comparison of 2019 to 2018

The Issuer's net non-operating income (expenses) changed from net income of ₩44 billion in 2018 to net expenses of ₩39 billion in 2019, principally as a result of a 56.3% decrease in non-operating income from ₩197 billion in 2018 to ₩86 billion in 2019, which outpaced an 18.3% decrease in non-operating expense from ₩153 billion in 2018 to ₩125 billion in 2019.

The 56.3% decrease in non-operating income was attributable mainly to a 98.0% decrease in gains on disposal of property and equipment and assets held for sale from ₩153 billion in 2018 to ₩3 billion in 2019. Such decrease was primarily due to the recognition of a gain on disposal of the Issuer's former headquarters building in Seoul in 2018, which was not repeated in 2019.

The 18.3% decrease in non-operating expenses resulted principally from a 8.7% decrease in donations from ₩92 billion in 2018 to ₩84 billion in 2019.

Income Tax Expense

The Issuer's income tax expense is calculated by adding or subtracting changes in deferred income tax liabilities and assets to income tax amounts payable for the period. Deferred income tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits, while deferred income tax liabilities are recognised for taxable temporary differences. Temporary differences are those between the carrying values of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income tax assets, including unused tax losses and credits, are recognised only to the extent it is probable that sufficient taxable profit will be available against which such deferred income tax assets can be utilised.

Comparison of 2020 to 2019

Income tax expense decreased 7.6% from ₩879 billion in 2019 to ₩812 billion in 2020, primarily due to a 5.6% decrease in profit before income tax expense from ₩3,318 billion in 2019 to ₩3,132 billion in 2020. The statutory tax rate was 27.5% in 2019 and 2020. The Issuer's effective tax rate was 25.9% in 2020 compared to 26.5% in 2019.

Comparison of 2019 to 2018

Income tax expense increased 6.3% from ₩827 billion in 2018 to ₩879 billion in 2019, primarily due to a 7.5% increase in profit before income tax expense. The statutory tax rate was 27.5% in 2018 and 2019. The Issuer's effective tax rate was 26.5% in 2019 compared to 26.8% in 2018.

Profit for the Year

As a result of the above, the Issuer's profit for the year was ₩2,320 billion in 2020, compared to ₩2,439 billion in 2019 and ₩2,259 billion in 2018.

FINANCIAL CONDITION

Assets

The following table sets forth, as of the dates indicated, the principal components of the Issuer's assets:

	As of December 31,			Percentage Change	
	2018	2019	2020	2019/2018	2020/2019
	(in billions of Won, except percentages)			(%)	
Cash and due from financial institutions	₩ 14,889	₩ 14,481	₩ 19,972	(2.7)%	37.9%
Financial assets at fair value through profit or loss	12,257	13,866	16,042	13.1	15.7
Derivative financial assets	1,614	2,317	4,457	43.6	92.4
Loans	276,944	293,531	327,332	6.0	11.5
Financial investments	42,723	52,419	58,286	22.7	11.2
Property and equipment	3,128	3,784	4,042	21.0	6.8
Other assets(1)	5,404	7,025	8,312	30.0	18.3
Total assets	₩356,959	₩387,425	₩438,444	8.5	13.2

Note:

(1) Includes investment in associates, investment property, intangible assets, current income tax assets, deferred income tax assets, assets held for sale and other assets.

For further information on the Issuer's assets, see "*Assets and Liabilities*."

Comparison of December 31, 2020 to December 31, 2019

The Issuer's total assets increased 13.2% from ₩387,425 billion as of December 31, 2019 to ₩438,444 billion as of December 31, 2020, principally due to an 11.5% increase in loans from ₩293,531 billion as of December 31, 2019 to ₩327,332 billion as of December 31, 2020, the effect of which was enhanced by an 11.2% increase in financial investments from ₩52,419 billion as of December 31, 2019 to ₩58,286 billion as of December 31, 2020 and a 37.9% increase in cash and due from financial institutions from ₩14,481 billion as of December 31, 2019 to ₩19,972 billion as of December 31, 2020.

Comparison of December 31, 2019 to December 31, 2018

The Issuer's total assets increased 8.5% from ₩356,959 billion as of December 31, 2018 to ₩387,425 billion as of December 31, 2019, principally due to a 6.0% increase in loans from ₩276,944 billion as of December 31, 2018 to ₩293,531 billion as of December 31, 2019, as well as a 22.7% increase in financial investments from ₩42,723 billion as of December 31, 2018 to ₩52,419 billion as of December 31, 2019.

Liabilities and Equity

The following table sets forth, as of the dates indicated, the principal components of the Issuer's liabilities and the Issuer's equity:

	As of December 31,			Percentage Change	
	2018	2019	2020	2019/ 2018	2020/ 2019
	(in billions of Won, except percentages)			(%)	
Liabilities:					
Financial liabilities at fair value through profit or loss	87	80	141	(8.0)	76.3
Derivative financial liabilities	1,642	2,169	4,282	32.1	97.4
Deposits	272,485	300,917	330,352	10.4	9.8
Borrowings	17,496	19,141	26,871	9.4	40.4
Debentures	23,164	18,740	26,970	(19.1)	43.9
Provisions	308	311	388	1.0	24.8
Other liabilities(1)	15,110	17,062	19,031	12.9	11.5
Total liabilities	330,291	358,421	408,036	8.5	13.8
Equity:					
Capital stock	2,022	2,022	2,022	0.0	0.0
Hybrid securities	—	575	575	N/A(2)	0.0
Capital surplus	5,219	5,220	4,808	0.0	(7.9)
Accumulated other comprehensive income	116	123	494	6.0	301.6
Retained earnings	19,311	21,065	22,244	9.1	5.6
Equity attributable to shareholders of the parent entity	26,668	29,004	30,143	8.8	3.9
Non-controlling interest equity	—	—	265	—	N/A
Total equity	26,668	29,004	30,408	8.8	4.8
Total liabilities and equity	₩356,959	₩387,425	₩438,444	8.5	13.2

Note:

(1) Includes net defined benefit liabilities, current income tax liabilities, deferred income tax liabilities and other liabilities.

(2) "N/A" means not applicable.

Comparison of December 31, 2020 to December 31, 2019

The Issuer's total liabilities increased 13.8% from ₩358,421 billion as of December 31, 2019 to ₩408,036 billion as of December 31, 2020, principally due to a 9.8% increase in deposits from ₩300,917 billion as of December 31, 2019 to ₩330,352 billion as of December 31, 2020. The Issuer's deposits increased mainly as a result of an increase in demand deposits.

The Issuer's total equity increased 4.8% from ₩29,004 billion as of December 31, 2019 to ₩30,408 billion as of December 31, 2020. This increase resulted principally from an increase in the Issuer's retained earnings, which was attributable to the profit the Issuer generated in 2020.

Comparison of December 31, 2019 to December 31, 2018

The Issuer's total liabilities increased 8.5% from ₩330,291 billion as of December 31, 2018 to ₩358,421 billion as of December 31, 2019, principally due to a 10.4% increase in deposits from ₩272,485 billion as of December 31, 2018 to ₩300,917 billion as of December 31, 2019, which was offset in part by a 19.1% decrease in debentures from ₩23,164 billion as of December 31, 2018 to ₩18,740 billion as of December 31, 2019. The Issuer's deposits increased mainly as a result of an increase in time deposits.

The Issuer's total equity increased 8.8% from ₩26,668 billion as of December 31, 2018 to ₩29,004 billion as of December 31, 2019. This increase resulted principally from an increase in the Issuer's retained earnings, which was attributable to the profit the Issuer generated in 2019.

Liquidity

The Issuer's primary source of funding has historically been and continues to be deposits. Deposits amounted to ₩272,485 billion, ₩300,917 billion and ₩330,352 billion as of December 31, 2018, 2019 and 2020, which represented 87.0%, 88.8% and 86.0% of the Issuer's total funding, respectively. The Issuer has been able to use customer deposits to finance its operations generally, including meeting a portion of its liquidity requirements. Although the majority of deposits are short-term, it has been the Issuer's experience that the majority of the Issuer's depositors generally roll over their deposits at maturity, thus providing the Issuer with a stable source of funding. However, in the event that a substantial number of the Issuer's depositors do not roll over their deposits or otherwise decide to withdraw their deposited funds, the Issuer would need to place increased reliance on alternative sources of funding, some of which may be more expensive than customer deposits, in order to finance the Issuer's operations. See "*Risk Factors—Risks Relating to the Issuer's Liquidity and Capital Management—The Issuer's funding is highly dependent on short-term deposits, which dependence may adversely affect the Issuer's operations*." In particular, the Issuer may increase its utilisation of alternative funding sources such as short-term borrowings and cash and cash equivalents (including funds from maturing loans), as well as liquidating the Issuer's positions in financial assets and using the proceeds to fund parts of its operations, as necessary.

The Issuer also obtains funding through debentures and borrowings to meet its liquidity needs. Debentures represented 7.4%, 5.5% and 7.0% of its total funding as of December 31, 2018, 2019 and 2020, respectively. Borrowings represented 5.6%, 5.6% and 7.0% of its total funding as of December 31, 2018, 2019 and 2020, respectively. For further information on the Issuer's sources of funding, see "*Assets and Liabilities*."

The FSC requires each bank in Korea to maintain a liquidity coverage ratio and a foreign currency liquidity ratio. These ratios require the Issuer to keep the ratio of liquid assets to liquid liabilities above certain minimum levels. For a description of these requirements, see "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Liquidity*."

The Issuer is exposed to liquidity risk arising from withdrawals of deposits and maturities of its debentures and borrowings, as well as the need to fund its lending, trading and investment activities (including its capital expenditures) and the management of its trading positions. The goal of liquidity management is for the Issuer to be able, even under adverse conditions, to meet all of its liability repayments on time and fund all investment opportunities. For an explanation of how the Issuer manages its liquidity risk, see "*Risk Management—Liquidity Risk Management*."

Commitments and Guarantees

The following table sets forth, on a separate basis, the Issuer's commitments and guarantees as of December 31, 2020. These commitments and guarantees are not included within the Issuer's statements of financial position.

	Payments Due by Period				
	Total	1 Year or Less	1-3 Years	3-5 Years	More Than 5 Years
	(in billions of Won)				
Financial guarantees[1]	₩ 6,427	₩ 2,347	₩ 3,274	₩ 758	₩ 48
Confirmed acceptances and guarantees	5,561	4,046	1,019	470	26
Commitments	91,136	53,058	8,403	1,215	28,460
Total	₩103,124	₩59,451	₩12,696	₩2,443	₩28,534

Note:

(1) Includes ₩5,581 billion of irrevocable commitments to provide contingent liquidity credit lines to special purpose entities for which the Issuer serves as the administrator.

Capital Adequacy

The Issuer is subject to FSC capital adequacy requirements applicable to Korean banks. The requirements applicable commencing in December 2013 pursuant to amended FSC regulations promulgated in July

2013 were formulated based on Basel III, which was first introduced by the Basel Committee on Banking Supervision, Bank for International Settlements in December 2009. Under the amended FSC regulations, all banks in Korea are required to maintain certain minimum ratios of common equity Tier I capital, total Tier I capital and total Tier I and Tier II capital to risk-weighted assets. See "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Capital Adequacy*."

The following table sets forth a summary of the Issuer's capital and capital adequacy ratios as of December 31, 2018, 2019 and 2020 based on applicable regulatory reporting standards.

	As of December 31,		
	2018	2019	2020
	(in billions of Won, except percentages)		
Tier I capital	₩ 25,568	₩ 27,610	₩ 28,234
Common equity Tier I capital	25,568	27,035	27,659
Additional Tier I capital	—	575	575
Tier II capital	2,126	2,200	4,321
Total core and supplementary capital	27,694	29,810	32,555
Risk-weighted assets	178,433	188,075	183,148
Credit risk	163,693	172,985	160,817
Market risk	4,748	5,151	11,373
Operational risk	9,992	9,939	10,958
Total Tier I and Tier II capital adequacy ratio	15.52%	15.85%	17.78%
Tier I capital adequacy ratio	14.33%	14.68%	15.42%
Common equity Tier I capital adequacy ratio	14.33%	14.37%	15.10%
Tier II capital adequacy ratio	1.19%	1.17%	2.36%

Recent Accounting Pronouncements

See Note 2.1 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular for a description of other recent accounting pronouncements under Korean IFRS that have been issued but are not yet effective.

BUSINESS

Overview

The Issuer is one of the largest commercial banks in Korea in terms of total assets (including loans). As of December 31, 2020, the Issuer had total assets of ₩438,444 billion and total deposits of ₩330,352 billion.

The Issuer provides credit and related financial services to individuals and SMEs and, to a lesser extent, to large corporate customers. The Issuer also provides a full range of deposit products and related services to both individuals and enterprises of all sizes.

By their nature, the Issuer's core consumer and SME operations place a high premium on customer access and convenience. The Issuer's network of 972 branches as of December 31, 2020, one of the most extensive in Korea, provides the Issuer with access to a large, stable and cost-effective funding source, enables the Issuer to provide its customers convenient access and gives the Issuer the ability to provide the customer attention and service essential to conducting its business, particularly in an increasingly competitive environment. The Issuer's branch network is further enhanced by automated banking machines and fixed-line, smartphone and Internet banking. As of December 31, 2020, the Issuer had a customer base of approximately 35.5 million retail customers, which represented over one-half of the Korean population.

The following table shows the principal components of the Issuer's lending business as of the dates indicated, on a separate basis:

	As of December 31,					
	2018		2019		2020	
	(in billions of Won, except percentages)					
Retail	₩141,755	51.3%	₩148,407	50.7%	₩162,328	50.9%
Corporate	131,669	47.6	138,832	47.4	149,078	46.7
Foreign	3,095	1.1	5,501	1.9	7,658	2.4
Total loans	₩276,519	100.0%	₩292,740	100.0%	₩319,064	100.0%

The Issuer provides a full range of personal lending products and retail banking services to individual customers, including mortgage loans. The Issuer is the largest private sector home equity loan provider in Korea.

Lending to SMEs is the single largest component of the Issuer's non-retail credit portfolio and represents a widely diversified exposure to a broad spectrum of the Korean corporate community, both by type of lending and type of customer, with one of the categories being collateralised loans to SOHO customers that are among the smallest of the SMEs. The volume of the Issuer's loans to SMEs requires a customer-oriented approach that is facilitated by the Issuer's large and geographically diverse branch network.

With respect to large corporate customers, the Issuer continues to seek to maintain and expand quality relationships by providing them with an increasing range of fee-related services.

The legal name of the Issuer is Kookmin Bank. The Issuer is registered in Korea and incorporated with limited liability under the laws of Korea (registration number: 110111-2365321) and operates pursuant to the Bank Act of 1950, as amended (the "Bank Act") and the Bank of Korea Act of 1950, as amended (the "Bank of Korea Act"), as well as regulations and supervision of the BOK, the BOK's Monetary Policy Board (the "MPB"), the FSC and its executive body, the FSS. The Issuer's registered office is located at 26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul 07331, Korea (telephone: + (822) 2073-7114).

Organisational Structure

In September 2008, the Issuer completed a "comprehensive stock transfer" under Article 360-15 of the Korean Commercial Code, whereby KB Financial Group Inc. ("KB Financial Group") became the holding company of the Issuer and eight additional entities that were originally the Issuer's subsidiaries. See "*—History and Development—Establishment of KB Financial Group.*" Currently, the Issuer is a wholly-owned subsidiary of KB Financial Group and the Issuer's main operating subsidiaries comprise Kookmin Bank Cambodia Plc., Kookmin Bank (China) Ltd., KB Microfinance Myanmar Co., Ltd., PRASAC Microfinance Institution Plc., PT Bank Bukopin TBK ("Bank Bukopin") and KB Bank Myanmar Co., Ltd.

The following tables provide summary information for the Issuer's main operating subsidiaries, including their total assets, net income, operating income and shareholder's equity as of and for the year ended December 31, 2020:

	As of December 31, 2020			Year ended December 31, 2020	
	Percentage of ownership	Total assets	Equity	Operating revenue	Profit (Loss) for the period
	(in millions of Won, except percentages)				
Subsidiaries[(1)]					
Kookmin Bank Cambodia Plc.	100.0	385,974	98,038	21,841	5,499
Kookmin Bank (China) Ltd.	100.0	3,323,048	448,790	167,781	13,967
KB Microfinance Myanmar Co., Ltd.	100.0	36,112	23,108	7,351	388
KB Bank Myanmar Co., Ltd.	100.0	220,105	217,600	—	—
PRASAC Microfinance Institution Plc.	70.0	3,914,890	537,898	588,359	118,339
PT Bank Bukopin TBK	67.0	5,841,168	310,520	106,358	(43,402)

Note:
(1) Kookmin Bank Int'l Ltd. (London) was liquidated in October 2020.

For additional information, see Note 38 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular.

Further information regarding the Issuer's subsidiaries is provided below:

- The Issuer acquired a controlling interest in *Kookmin Bank Cambodia Plc.* (formerly Khmer Union Bank) in May 2009, to enable the Issuer to provide various banking services in Cambodia.
- *Kookmin Bank (China) Ltd.* was established in China in November 2012 to provide a broad range of corporate banking services.
- *KB Microfinance Myanmar Co., Ltd.* was established in Myanmar in March 2017 to provide a variety of microfinance-related services.
- *KB Bank Myanmar Co., Ltd.* was established in Myanmar in December 2020 to provide a variety of banking and foreign exchange transaction-related services.
- The Issuer acquired a 70.0% interest in *PRASAC Microfinance Institution Plc.*, a provider of microfinance and deposit-taking services in Cambodia, in April 2020.
- Through a series of acquisitions from July 2018 to September 2020, the Issuer obtained a 67.0% interest in *PT Bank Bukopin TBK* of Indonesia.

History and Development

History of the Former Kookmin Bank

The former Kookmin Bank was established by the Government in 1963 under its original name of Citizens National Bank under the Citizens National Bank Act of Korea with majority government ownership. Under this Act, the Issuer was limited to providing banking services to the general public and to SMEs. In September 1994, Citizens National Bank completed its initial public offering in Korea and listed its shares on the KRX KOSPI Market of the Korea Exchange (the "KRX KOSPI Market").

In January 1995, the Citizens National Bank Act of Korea was repealed and replaced by the Repeal Act of the Citizens National Bank Act. Citizens National Bank's status was changed from a specialised bank to a nationwide commercial bank and in February 1995, it changed its name to Kookmin Bank. The Repeal Act allowed the former Kookmin Bank to engage in lending to large businesses.

History of Housing & Commercial Bank

Housing & Commercial Bank ("H&CB") was established by the Government in 1967 under the name Korea Housing Finance Corporation. In 1969, Korea Housing Finance Corporation became the Korea Housing Bank pursuant to the Korea Housing Bank Act. H&CB was originally established to provide low and middle income households with long-term, low-interest mortgages in order to help them purchase their own homes, and to promote the increase of housing supply in Korea by providing low-interest housing loans to construction companies. Until 1997 when the Korea Housing Bank Act was repealed, H&CB was the only entity in Korea allowed to provide mortgage loans with a term of longer than ten years. H&CB also had the exclusive ability to offer housing-related deposit accounts offering preferential rights to subscribe for newly-built apartments.

The Merger of the Former Kookmin Bank and H&CB

Effective November 1, 2001, the former Kookmin Bank and H&CB merged into a new entity named Kookmin Bank. This merger resulted in the Issuer becoming the largest commercial bank in Korea by total assets (including loans), according to the data compiled by the FSS. American depositary shares ("ADSs") representing the Issuer's common stock were listed on the New York Stock Exchange on November 1, 2001 and its common stock was listed on the KRX KOSPI Market on November 9, 2001.

The Merger with Kookmin Credit Card

On May 30, 2003, the Issuer entered into a merger agreement with Kookmin Credit Card, previously a 75% owned and consolidated subsidiary. On July 23, 2003, the Issuer's board approved the merger with Kookmin Credit Card and on September 5, 2003, the merger was approved by the shareholders of Kookmin Credit Card. On September 30, 2003, the Issuer merged with Kookmin Credit Card.

Establishment of KB Financial Group

KB Financial Group was established on September 29, 2008 pursuant to a comprehensive stock transfer under Article 360-15 of the Korean Commercial Code, whereby holders of the common stock of the Issuer and certain of its subsidiaries transferred all of their shares to KB Financial Group, a new financial holding company, and in return received shares of KB Financial Group's common stock. In the stock transfer, each holder of one share of the Issuer's common stock received one share of KB Financial Group's common stock, par value ₩5,000 per share. Holders of the Issuer's ADSs and global depositary shares, each of which represented one share of the Issuer's common stock, received one of KB Financial Group's ADSs for every ADS or global depositary share they owned. In addition, holders of the common stock of KB Investment & Securities Co., Ltd., KB Asset Management Co., Ltd., KB Real Estate Trust Co., Ltd., KB Investment Co., Ltd., KB Futures Co., Ltd., KB Credit Information Co., Ltd. and KB Data Systems Co., Ltd., all of which were the Issuer's subsidiaries, transferred all of their shares to KB Financial Group and, as consideration for such transferred shares, received shares of KB Financial Group's common stock in accordance with the specified stock transfer ratio applicable to each such subsidiary. Following the completion of the stock transfer, the Issuer and the aforementioned subsidiaries of the Issuer became KB Financial Group's wholly-owned subsidiaries. Following the stock transfer, KB Financial Group's common stock was listed on the KRX KOSPI Market on October 10, 2008 and its ADSs were listed on the New York Stock Exchange on September 29, 2008.

Spin-off of the Credit Card Business

On September 28, 2010, the board of directors of the Issuer resolved to effect a horizontal spin-off of its credit card business, such that the business would be operated by a newly established sister company of the Issuer that is wholly-owned by KB Financial Group. Pursuant to such resolution, the assets and liabilities of the Issuer which were directly or indirectly related to its credit card business were transferred to a newly established company, KB Card, on February 28, 2011, and all of the shares of common stock of KB Card were distributed to KB Financial Group on March 2, 2011. Pursuant to the Korean

Commercial Code, the Issuer will remain jointly and severally liable for the spun-off liabilities of the credit card business and KB Card will be jointly and severally liable for the liabilities of the Issuer existing as of the date of the spin-off, in each case for an indefinite period.

Strategy

The Issuer's strategic focus is to become a world-class banking service provider that ranks among the leaders of the financial industry in Asia and globally. The Issuer plans to solidify its market position as Korea's leading bank, enhance its ability to provide comprehensive financial services to its retail and corporate customers and strengthen its overseas operating platform and network. In addition, the Issuer continually strives to achieve its goal of creating "a happier life and a better world" through a customer-centric management philosophy. The Issuer believes its strong market position is an important competitive advantage, which will enable the Issuer to compete more effectively based on convenient delivery, product breadth and differentiation, and service quality while focusing on the Issuer's profitability.

The key elements of the Issuer's strategy are as follows:

Identifying, targeting and marketing to attractive customer segments and providing superior customer value and service to such segments

In recent years, rather than focusing on developing products and services to satisfy the overall needs of the general population, the Issuer has increasingly targeted specific market segments that the Issuer expects to generate superior growth and profitability. The Issuer will continue to implement a targeted marketing approach that seeks to identify the most attractive customer segments and to develop strategies to build market share in those segments. In particular, the Issuer intends to increase its "wallet share" of superior existing customers by using its advanced customer relationship management technology to better identify and meet the needs of its most creditworthy and high net worth customers, on whom the Issuer intends to concentrate its marketing efforts. For example, as part of this strategy, the Issuer operates a "priority customer" programme called KB Star Club. The Issuer selects and classifies KB Star Club customers based on their transaction history and provides such customers with preferential treatment in various areas, including interest rates and transaction fees, depending upon how they are classified. The Issuer also provides private banking services, including personal wealth management services through its exclusive brand "Gold & Wise," to increase its share of the priority customer market and in turn increase its profitability and strengthen its position in retail banking.

The Issuer is also focusing on attracting and retaining creditworthy customers by offering more differentiated fee-based products and services that are tailored to meet their specific needs. The development and marketing of the Issuer's products and services are, in part, driven by customer segmentation to ensure the Issuer meets the needs of each customer segment. For instance, the Issuer continues to develop hybrid financial products with enhanced features, including various deposit products and investment products, for which consumer demand has increased in recent years. The Issuer is also focusing on addressing the needs of its customers by providing the highest-quality products and services and developing an open-architecture strategy, which allows the Issuer to sell such products through one of the largest branch networks in Korea. In short, the Issuer aims to offer its customers a convenient one-stop financial services destination where they can meet their traditional retail and corporate banking requirements, as well as find a broad array of fee-based products and services tailored to address more specific banking and wealth management needs. The Issuer believes such differentiated, comprehensive services and cross-selling will not only enhance customer loyalty but also increase profitability.

One of the Issuer's key customer-related strategies continues to be creating greater value and better service for the Issuer's customers. The Issuer intends to continue improving its customer service, including through:

- *Improved customer relationship management technology*. Management has devoted substantial resources towards the development of the Issuer's customer relationship management system, which is designed to provide the Issuer's employees with the information needed to continually improve the level of service and incentives offered to the Issuer's preferred customers. The Issuer's system is based on an integrated customer database, which allows for better customer management and streamlines the Issuer's customer reward system. The Issuer has also developed state-of-the-art call centres, smartphone applications and online Internet capabilities to provide shorter response times to customers seeking information or to execute transactions. The Issuer's goals are to continually focus on improving customer service to satisfy its customer's needs through continuing efforts to deliver new and improved services and to upgrade the Issuer's customer relationship management system to provide the best possible service to the Issuer's customers in the future.

- *Enhanced distribution channels*. The Issuer also believes it can improve customer retention and usage rates by increasing the range of products and services the Issuer offers and by developing a differentiated, multi-channel distribution network, including branches, ATMs, call centres, smartphone banking and Internet banking. The Issuer believes that its leading market position in the commercial banking area in Korea gives it a competitive advantage in developing and enhancing its distribution capabilities.

Focusing on expanding and improving credit quality in the Issuer's corporate lending business and increasing market share in the corporate financial services market

The Issuer plans to focus on corporate lending as one of the Issuer's core businesses through attracting top-tier corporate customers and providing customised and distinctive products and services to build the Issuer's position as a leading bank in the Korean corporate financial market. To increase the Issuer's market share in providing financial services to the corporate market, the Issuer intends to:

- promote a more balanced and strengthened portfolio with respect to the Issuer's corporate business by developing the Issuer's large corporate customer base and utilising the Issuer's improved credit management operations to better evaluate new large corporate and SME customers;
- develop and sell more varied corporate financial products, consisting of transactional banking products which provide higher margin and less risk;
- generate more fee income from large corporate customers through business-to-business transactions, foreign exchange transactions and derivative and other investment products;
- strengthen the Issuer's marketing system based on the Issuer's accumulated expertise in order to attract top-tier corporate customers;
- focus on enhancing the Issuer's channel network in order to provide the best service by strengthening its corporate customer management; and
- further develop and train the Issuer's core professionals with respect to this market, including through programmes such as the "Career Development Path."

Strengthening internal risk management capabilities

The Issuer believes that ensuring strong asset quality through effective credit risk management is critical to maintaining stable growth and profitability, and risk management will continue to be one of the Issuer's key focus areas. One of the Issuer's highest priorities is to improve the Issuer's asset quality and more effectively price the Issuer's lending products to take into account inherent credit risk in the Issuer's portfolio. The Issuer's goal is to maintain the soundness of the Issuer's credit portfolio, profitability and capital base. To this end, the Issuer intends to continue to strengthen its internal risk management capabilities by tightening its underwriting and management policies and improving its internal compliance policies. To accomplish this objective, the Issuer has undertaken the following initiatives:

- *Strengthening underwriting procedures with advanced credit scoring techniques*. The Issuer has centralised its credit management operations into its credit group. Through such centralisation, the Issuer aims to enhance its credit management expertise and improve its system of checks-and-balances with respect to its credit portfolio. The Issuer has also improved its ability to evaluate the credit of the Issuer's SME customers through assigning experienced credit officers to the Issuer's regional credit offices. The Issuer also requires one officer to evaluate, review and monitor the outstanding loans and other credits with respect to a customer, which the Issuer believes enhances the expertise and improves the efficiency and accountability of such officer, while enabling the Issuer to maintain a consistent credit policy. The Issuer has also, as a general matter, implemented enhanced credit analysis and scoring techniques, which the Issuer believes will enable it to make better-informed decisions about the credit the Issuer extends and improve the Issuer's ability to respond more quickly to incipient credit problems. The Issuer is also focusing on enhancing its asset quality through improvement of the Issuer's early monitoring systems and collection procedures.

- *Improving internal compliance policies and ensuring strict application in daily operations.* The Issuer has improved its monitoring capabilities with respect to its internal compliance by providing training and educational programmes to its management and employees. The Issuer has also implemented strict compliance policies to maintain the integrity of the Issuer's risk management system.

Cultivating a performance-based, customer-oriented culture that emphasises market best practices

The Issuer believes a strong and dedicated workforce is critical to its ability to offer its customers the highest quality banking services and is integral to its goal of maintaining its position as one of Korea's leading financial service providers. In the past, the Issuer has dedicated significant resources to develop and train its core professionals, and the Issuer intends to continue to enhance the productivity of its employees, including by regularly sponsoring in-house training and educational programmes. The Issuer has also been seeking to cultivate a performance-based culture to create a work environment where members of its staff are incentivised to maximise their potential and in which the Issuer's employees are directly rewarded for superior performance. The Issuer intends to maintain a professional workforce whose high quality of customer service reflects its goal to achieve and maintain global best practice standards in all areas of operations.

Branch Network

As of December 31, 2020, the Issuer had 972 branches and sub-branches in Korea, which represented one of the largest branch networks among Korean commercial banks. An extensive branch network is important to attracting and maintaining retail customers, who use branches extensively and value convenience. The following table presents the geographical distribution of the Issuer's branch network in Korea as of December 31, 2020:

	Number of Branches	Percentage
Area		
Seoul	356	36.6%
Six largest cities (other than Seoul)	211	21.7%
Other	405	41.7%
Total	972	100.0%

In addition, the Issuer has continued to implement the specialisation of its branch functions. Of its branch network as of December 31, 2020, the Issuer had three branches that primarily handled large corporate banking.

In order to support the Issuer's branch network, the Issuer has established an extensive network of ATMs, which are located in branches and in unmanned outlets known as "autobanks." As of December 31, 2020, the Issuer had 5,785 ATMs.

The Issuer has actively promoted the use of these distribution outlets in order to provide convenient service to customers, as well as to maximise the marketing and sales functions at the branch level, reduce employee costs and improve profitability. The aggregate number of transactions conducted using the Issuer's ATMs amounted to approximately 417 million in 2018, 372 million in 2019 and 295 million in 2020.

Retail Banking

Due to the Issuer's history and development as a retail bank and the know-how and expertise the Issuer has acquired from its activities in that market, retail banking has been and will continue to remain one of the Issuer's core businesses. The Issuer's retail banking activities consist primarily of lending and deposit-taking.

Lending Activities

The Issuer offers various loan products that target different segments of the population, with features tailored to each segment's financial profile and other characteristics. The following table sets forth the balances and the percentage of the Issuer's total domestic retail lending represented by the categories of the Issuer's domestic retail loans as of the dates indicated, on a separate basis:

	As of December 31,					
	2018		2019		2020	
	(in billions of Won, except percentages)					
Retail:						
Mortgage and home equity loans	₩100,972	71.2%	₩ 105,296	71.0%	₩ 112,817	69.5%
Other consumer loans[(1)]	40,782	28.7	43,111	29.0	49,511	30.5
Total	₩141,755	100.0%	₩ 148,407	100.0%	₩ 162,328	100.0%

Note:

(1) Includes overdraft loans.

The Issuer's retail loans consist of:

- *Mortgage loans*, which are loans made to customers to finance home purchases, construction, improvements or rentals, and *home equity loans*, which are loans made to the Issuer's customers secured by their homes to ensure loan repayment. The Issuer also provides overdraft loans in connection with the Issuer's home equity loans.
- *Other consumer loans*, which are loans made to customers for any purpose (other than mortgage and home equity loans). These include overdraft loans, which are loans extended to customers to cover insufficient funds when they withdraw funds from their demand deposit accounts with the Issuer in excess of the amount in such accounts up to a limit established by the Issuer.

For secured loans, including mortgage and home equity loans, the Issuer's policy is to lend up to 100% of the adjusted collateral value (except in areas of high speculation designated by the government where the Issuer generally limits its lending to between 10% to 60% of the appraised value of collateral) minus the value of any lien or other security interests that are prior to the Issuer's security interest. In calculating the adjusted collateral value for real estate, the Issuer uses the appraisal value of the collateral multiplied by a factor, generally between 40% to 88% (10% to 70% in the case of mortgage and home equity loans). This factor varies depending upon the location and use of the real estate and is established in part by taking into account court-supervised auction prices for nearby properties.

A borrower's eligibility for the Issuer's mortgage loans depends on the value of the mortgage property, the appropriateness of the use of proceeds and the borrower's creditworthiness. A borrower's eligibility for home equity loans is determined by the borrower's credit and the value of the property, while the borrower's eligibility for other consumer loans is primarily determined by the borrower's credit. If the borrower's credit deteriorates, it may be difficult for the Issuer to recover the loan. As a result, the Issuer reviews the borrower's creditworthiness, collateral value, credit scoring and third party guarantees when evaluating a borrower. In addition, to reduce the interest rate of a loan or to qualify for a loan, a borrower may provide collateral, deposits or guarantees from third parties.

Mortgage and Home Equity Lending

The housing finance market in Korea is divided into public sector and private sector lending. In the public sector, two government entities, the National Housing and Urban Fund and the National Agricultural Cooperative Federation, are responsible for most of the mortgage lending.

Private sector mortgage and home equity lending in Korea has expanded substantially in recent years. The Issuer provides customers with a number of mortgage and home equity loan products that have flexible features, including terms, repayment schedules, amounts and eligibility for loans, and the Issuer offers interest rates on a commercial basis. The maximum term of mortgage loans is 35 years and the majority of the Issuer's mortgage loans have long-term maturities, which may be renewed.

Non-amortising home equity loans have a maturity of one to five years and home equity loans subject to amortisation of principal may have a maximum term of up to 35 years. Any customer is eligible for a mortgage or an individual home equity loan regardless of whether it participates in one of the Issuer's housing related savings programs and so long as that customer is not barred by regulation from obtaining a loan because of bad credit history. However, customers with whom the Issuer frequently transacts business and who provide the Issuer with significant revenue receive preferential interest rates on loans.

Contrary to prevailing practice in many other countries, a portion of the Issuer's mortgage loans are unsecured (although the use of proceeds from these loans is restricted to the financing of home purchases, and some of these loans are guaranteed by a third party). One reason for this phenomenon is that the Issuer, along with other Korean banks, provides advance loans to borrowers for the down payment of new housing (particularly apartments) that is in the process of being built. Once construction is completed, which may take several years, these mortgage loans become secured by the new housing purchased by these borrowers.

Pricing. The interest rates on the Issuer's retail mortgage loans are generally based on a periodic floating rate (which is based on a base rate determined for three-month, six-month or 12-month periods using the Issuer's Market Opportunity Rate system, which reflects the Issuer's internal cost of funding, further adjusted to account for the Issuer's expenses related to lending). The Issuer's interest rates also incorporate a margin based among other things on the type of security, the credit score of the borrower and the estimated loss on the security. The Issuer can adjust the price to reflect the borrower's current and/or expected future contribution to it. The applicable interest rate is determined at the time of the loan. If a loan is terminated prior to its maturity, the borrower is obligated to pay the Issuer an early termination fee of approximately 1.2% to 1.4% of the loan amount in addition to the accrued interest.

The interest rates on the Issuer's home equity loans are determined on the same basis as the Issuer's retail mortgage loans.

Other Consumer Loans

Other consumer loans are primarily unsecured. However, such loans may be secured by real estate, deposits or securities, or guaranteed by a third party. Overdraft loans are also classified as other consumer loans, are primarily unsecured and generally have an initial maturity of one year, which is typically extended automatically on an annual basis and may be extended up to a maximum of five years.

Pricing. The interest rates on the Issuer's other consumer loans (including overdraft loans) are determined on the same basis as on the Issuer's mortgage and home equity loans, except that, for unsecured loans, the borrower's credit score as determined during the Issuer's loan approval process is also taken into account. See "*Risk Management—Credit Risk Management*."

Deposit-taking Activities

Due to the Issuer's extensive nationwide network of branches, together with the Issuer's long history of development and the Issuer's resulting know-how and expertise, as of December 31, 2020, the Issuer had the largest number of retail customers and retail deposits among Korean commercial banks. The total amount of deposits from the Issuer's retail customers amounted to ₩202,566 billion as of December 31, 2020, or 61.5% of the Issuer's total deposits.

The Issuer offers many deposit products that target different segments of its retail customer base, with features tailored to each segment's financial profile, characteristics and needs, including:

- *Demand deposits*, which either do not accrue interest or accrue interest at a lower rate than time deposits. Demand deposits allow the customer to deposit and withdraw funds at any time and, if they are interest-bearing, accrue interest at a variable rate depending on the amount of deposit.
- *Time deposits*, which generally require the customer to maintain a deposit for a fixed term, during which the deposit accrues interest at a fixed rate or a variable rate based on the KOSPI, or to deposit

specified amounts on an instalment basis. If the amount of the deposit is withdrawn prior to the end of the fixed term, the customer will be paid a lower interest rate than that originally offered. The term for time deposits typically ranges from one month to three years, and the term for instalment savings deposits ranges from six months to five years. Most instalment savings deposits offer fixed interest rates.

- *Certificates of deposit*, the maturities of which typically range from 30 days to 730 days with a required minimum deposit of ₩10 million. Interest rates on certificates of deposit are determined based on the length of the deposit and prevailing market rates. The Issuer's certificates of deposit are sold at a discount to their face value, reflecting the interest payable on the certificates of deposit.
- *Foreign currency deposits*, which are available to Korean and foreign residents, non-residents and overseas immigrants. The Issuer offers foreign currency demand deposits and time deposits as well as checking accounts in 11 currencies. *Foreign currency demand deposits*, which accrue interest at a variable rate, allow customers to deposit and withdraw funds at any time. *Foreign currency time deposits* generally require customers to maintain the deposit for a fixed term, during which the deposit accrues interest at a fixed rate. If the funds in a foreign currency time deposit are withdrawn prior to the end of the fixed term, the customer will be paid a lower interest rate than that originally offered.

The Issuer offers varying interest rates on its deposit products depending upon average funding costs, the rate of return on the Issuer's interest-earning assets and the interest rates offered by other commercial banks.

The Issuer also offers comprehensive savings deposits for housing subscription, which are monthly instalment savings deposits that provide the holder with preferential rights to subscribe for both public and private housing under the Housing Act. This law is the basic law setting forth various measures supporting the purchase of houses and the supply of such houses by construction companies. These deposits require monthly instalments of ₩20,000 to ₩500,000 and accrue interest at variable rates depending on the term. An eligible account holder with ₩70 million or less in annual salary income may also claim a tax deduction for 40% of its annual instalment amounts, subject to a maximum deductible amount, in its income tax return for the year under the Special Tax Treatment Control Law of Korea.

In 2002, after significant research and planning, the Issuer launched private banking operations at its headquarters. Shortly thereafter, the Issuer launched a comprehensive strategy with respect to customers with higher net worth, which included staffing appropriate representatives, marketing aggressively, establishing IT systems, selecting appropriate branch locations and readying such branches with the necessary facilities to service such customers. As of December 31, 2020, the Issuer operated 21 main private banking centres.

The MPB imposes a reserve requirement on Won currency deposits of commercial banks based generally on the type of deposit instrument. The reserve requirement is currently up to 7%. See "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Liquidity*."

The Depositor Protection Act provides for a deposit insurance system where the KDIC guarantees to depositors the repayment of their eligible bank deposits. The deposit insurance system insures up to a total of ₩50 million per depositor per bank. See "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Deposit Insurance System*." The Issuer paid ₩442 billion of premiums to the KDIC in 2020 for such deposit insurance.

Corporate Banking

The Issuer lends to and takes deposits from SMEs and, to a lesser extent, large corporate customers. The Issuer also receives fee revenue from "cash management" services offered to corporate customers, which include "firm banking" services such as inter-account transfers, transfers of funds from various branches and agencies of a company (such as insurance premium payments) to the account of the headquarters of such company and transfers of funds from various customers of a company to the main account of such company. Of the Issuer's branch network as of December 31, 2020, three branches primarily handled large corporate banking.

The following table sets forth the balances and the percentage of the Issuer's total domestic corporate lending represented by its domestic SME loans and large corporate loans as of the dates indicated, on a separate basis, estimated based on the Issuer's internal classifications of corporate borrowers:

	As of December 31,					
	2018		2019		2020	
	(in billions of Won, except percentages)					
Corporate:						
SME loans	₩ 99,142	75.3%	₩ 104,540	75.3%	₩ 115,322	77.4%
Large corporate loans	32,527	24.7	34,292	24.7	33,656	22.6
Total	₩131,669	100.0%	₩ 138,832	100.0%	₩ 149,078	100.0%

On the deposit-taking side, the Issuer currently offers its corporate customers several types of corporate deposits. The Issuer's corporate deposit products can be divided into two general categories: (1) demand deposits that have no restrictions on deposits or withdrawals, but which offer a relatively low interest rate; and (2) deposits from which withdrawals are restricted for a period of time, but offer higher interest rates. The Issuer also offers instalment savings deposits, certificates of deposit and repurchase instruments. The Issuer offers varying interest rates on deposit products depending upon the rate of return on the Issuer's income-earning assets, average funding costs and interest rates offered by other nationwide commercial banks.

The total amount of deposits from the Issuer's corporate customers amounted to ₩121,252 billion as of December 31, 2020, or 36.7% of the Issuer's total deposits.

SME Banking

The Issuer's SME banking business has traditionally been and will remain one of the Issuer's core businesses because of both the Issuer's historical development and its accumulated expertise. The Issuer believes that it possesses the necessary elements to succeed in the SME market, including its extensive branch network, its credit rating system for credit approval, its marketing capabilities (which the Issuer believes have provided the Issuer with significant brand loyalty) and its ability to take advantage of economies of scale.

The Issuer uses the term "SMEs" as defined in the Framework Act on Small and Medium Enterprises and related regulations. Under the Framework Act on Small and Medium Enterprises and related regulations, an enterprise must meet each of the following criteria in order to meet the definition of an SME: (i) total assets at the end of the immediately preceding fiscal year must be less than ₩500 billion, (ii) the average or annual sales revenue standards as prescribed by the Enforcement Decree of the Framework Act on Small and Medium Enterprises that are applicable to the enterprise's primary business must be met and (iii) the standards of management independence as prescribed by the Enforcement Decree of the Framework Act on Small and Medium Enterprises must be met. However, pursuant to an amendment to the Framework Act on Small and Medium Enterprises, which has become effective in June 2020, an enterprise that qualifies as a small- and medium-sized enterprise pursuant to the above definition shall no longer be considered a small- and medium-sized enterprise if it is incorporated into, or is deemed to be incorporated into, a business group subject to certain disclosure requirements under the Monopoly Regulation and Fair Trade Act. Moreover, certified social enterprises (as defined in the Social Enterprise Promotion Act) and cooperatives and federations of cooperatives (each as defined in the Framework Act on Cooperatives and the Consumer Cooperatives Act) that satisfy the requirements prescribed by the Framework Act on Small and Medium Enterprises may also qualify as small- and medium-sized enterprises.

Lending Activities

The Issuer's principal loan products for its SME customers are working capital loans and facilities loans. Working capital loans are provided to finance working capital requirements and include notes discounted and trade financing. Facilities loans are provided to finance the purchase of equipment and the establishment of manufacturing assembly plants. As of December 31, 2020, the Issuer had over 367,496 SME customers on the lending side.

Loans to SMEs may be secured by real estate or deposits or may be unsecured. Working capital loans generally have a maturity of one year, but may be extended for additional terms of up to one year in length for an aggregate term of five years. Facilities loans have a maximum maturity of 15 years.

When evaluating the extension of working capital loans, the Issuer reviews the corporate customer's creditworthiness and capability to generate cash. Furthermore, the Issuer takes credit guaranty letters from other financial institutions and uses time deposits that the borrower has with the Issuer as collateral, and may require additional collateral.

The value of any collateral is defined using a formula that takes into account the appraised value of the property, any prior liens or other claims against the property and an adjustment factor based on a number of considerations including, with respect to property, the value of any nearby property sold in a court-supervised auction during the previous five years. The Issuer revalues any collateral on a periodic basis (generally every year) or if a trigger event occurs with respect to the loan in question.

The Issuer also offers mortgage loans to home builders or developers who build or sell single- or multi-family housing units, principally apartment buildings. Many of these builders and developers are categorised as SMEs. The Issuer offers a variety of such mortgage loans, including loans to purchase property or finance the construction of housing units and loans to contractors used for working capital purposes. Such mortgage loans subject the Issuer to the risk that the housing units will not be sold. As a result, the Issuer reviews the probability of the sale of the housing unit when evaluating the extension of a loan. The Issuer also reviews the borrower's creditworthiness and the adequacy of the intended use of proceeds. Furthermore, the Issuer takes a lien on the land on which the housing unit is to be constructed as collateral. If the collateral is not sufficient to cover the loan, the Issuer also takes a guarantee from the Housing Finance Credit Guarantee Fund as security.

A substantial number of the Issuer's SME customers are SOHOs, which the Issuer currently defines to include sole proprietorships and individual business interests. With respect to SOHOs, the Issuer applies credit risk evaluation models, which not only uses quantitative analysis related to a customer's accounts, personal credit and financial information and due amounts but also requires the Issuer's credit officers to perform a qualitative analysis of each potential SOHO customer. With respect to SOHO loans in excess of ₩1 billion, the Issuer's credit risk evaluation model also includes a quantitative analysis of the financial statements of the underlying business. The Issuer generally lends to SOHOs on a secured basis, although a small portion of the Issuer's SOHO exposures are unsecured.

Pricing

The Issuer establishes the price for its corporate loan products based principally on transaction risk, the Issuer's cost of funding and market considerations. Transaction risk is measured by such factors as the credit rating assigned to a particular borrower, the size of the borrower and the value and type of collateral. The Issuer's loans are priced based on the Market Opportunity Rate system, which is a periodic floating rate system that takes into account the current market interest rate.

While the Issuer generally utilises the Market Opportunity Rate system, depending on the price and other terms set by competing banks for similar borrowers, the Issuer may adjust the interest rate it charges to compete more effectively with other banks.

Large Corporate Banking

Large corporate customers include all companies that are not SME customers. The Issuer's articles of incorporation provide that financial services to large corporate customers must be no more than 40% of the total amount of the Issuer's Won-denominated loans. The Issuer's business focus with respect to large corporate banking is to selectively increase the proportion of high quality large corporate customers. Specifically, the Issuer is carrying out various initiatives to improve the Issuer's customer relationship with large corporate customers and has been seeking to expand the Issuer's service offerings to this segment.

Lending Activities

The Issuer's principal loan products for the Issuer's large corporate customers are working capital loans and facilities loans. Working capital loans generally have a maturity of one year, but may be extended for additional terms ranging from six months to one year in length for an aggregate term of five years. Facilities loans have a maximum maturity of 15 years. The Issuer also offers mortgage loans to large corporate clients who build or sell single- or multi-family housing units, as described above under "*—SME Banking—Lending Activities.*"

In the Issuer's unsecured lending to large corporate customers, a critical consideration in its policy regarding the extension of such unsecured loans is the borrower's creditworthiness. The Issuer assigns each borrower a credit rating based on the judgment of its experts or scores calculated using the appropriate credit rating system, taking into account both financial factors and non-financial factors (such as its perception of a borrower's reliability, management and operational risk and risk relating to the borrower's industry). The credit ratings, along with such factors, are key determinants in the Issuer's lending to large corporate customers. Large corporate customers generally have higher credit ratings due to their higher repayment capability compared to other types of borrowers, such as SME borrowers. In addition, large corporate borrowers generally are affected to a lesser extent than SME borrowers by fluctuations in the Korean economy and also maintain more sophisticated financial records.

The Issuer monitors the credit status of large corporate borrowers and collects information to adjust its ratings appropriately. The Issuer also manages and monitors its large corporate customers through the Large Corporate Business Department. In addition, the Credit Risk Department manages the Issuer's exposure to each large corporate customer and conducts in-depth analysis of various economic and industry-related risks that are relevant to large corporate customers.

Pricing

The Issuer determines pricing of its large corporate loans in the same way as the Issuer determines the pricing of its SME loans. See "*—SME Banking—Pricing.*"

Capital Markets Activities and International Banking

Through the Issuer's capital markets operations, the Issuer invests and trades in debt and equity securities and, to a lesser extent, engages in derivatives and asset securitisation transactions and makes call loans. The Issuer also provides investment banking services to corporate customers.

Securities Investment and Trading

The Issuer invests in and trades securities for the Issuer's own account in order to maintain adequate sources of liquidity and to generate interest and dividend income and capital gains. As of December 31, 2018, 2019 and 2020, the Issuer's investment portfolio, which consists primarily of financial instruments at amortised cost and financial assets at fair value through other comprehensive income (formerly referred to as held-to-maturity financial assets and available-for-sale financial assets, respectively), and the Issuer's trading portfolio (which consists of (i) financial assets at fair value through profit or loss, excluding loans, (ii) financial assets at fair value through other comprehensive income, excluding loans, and (iii) financial assets at amortised cost, excluding allowances for credit losses) had a combined total carrying amount of ₩54,418 billion, ₩65,753 billion and ₩74,057 billion and represented 15.2%, 17.0% and 16.9% of the Issuer's total assets, respectively.

The Issuer's trading and investment portfolios consist primarily of Korean treasury securities and debt securities issued by Government agencies, local governments or certain government-invested enterprises and debt securities issued by financial institutions.

From time to time the Issuer also purchases equity securities for the Issuer's securities portfolios. The Issuer's equity securities consist primarily of marketable beneficiary certificates and equities listed on the KRX KOSPI Market, the KRX KOSDAQ Market of the Korea Exchange or the KRX KONEX Market of the Korea Exchange.

The Issuer's trading portfolio also includes derivative-linked securities, the underlying assets of which were linked to, among other things, interest rates, exchange rates, stock price indices or credit risks.

The following tables set forth the carrying amounts of the securities in the Issuer's trading and investment portfolios as of the dates indicated:

	As of December 31, 2018				As of December 31, 2019				As of December 31, 2020			
	Amortized Cost	Net Unrealized Gain and Loss	Loss Allowance for Expected Credit Losses	Fair Value	Amortized Cost	Net Unrealized Gain and Loss	Loss Allowance for Expected Credit Losses	Fair Value	Amortized Cost	Net Unrealized Gain and Loss	Loss Allowance for Expected Credit Losses	Fair Value
					(in billions of Won)							
Financial assets at fair value through profit or loss												
Debt securities:												
Government and public bonds	₩ 1,949	₩ —	—	₩ 1,949	₩ 1,974	₩ —	₩—	₩ 1,974	₩ 3,131	₩ —	₩—	₩ 3,131
Financial bonds	4,934	—	—	4,934	6,368	—	—	6,368	6,885	—	—	6,885
Corporate bonds	1,897	—	—	1,897	1,773	—	—	1,773	1,717	—	—	1,717
Asset-backed securities	60	—	—	60	100	—	—	100	211	—	—	211
Beneficiary certificates	2,341	—	—	2,341	2,283	—	—	2,283	3,000	—	—	3,000
Others	702	—	—	702	949	—	—	949	764	—	—	764
Equity securities:												
Stocks	82	—	—	82	151	—	—	151	206	—	—	206
Others	79	—	—	79	80	—	—	80	90	—	—	90
Total financial assets at fair value through profit or loss	**₩12,044**	**₩ —**	**₩—**	**₩12,044**	**₩13,678**	**₩ —**	**₩—**	**₩13,678**	**₩16,004**	**₩ —**	**₩—**	**₩16,004**
Financial investments												
Financial assets at fair value through other comprehensive income												
Debt securities:												
Government and public bonds	₩ 2,936	₩ 6	₩ 0	₩ 2,941	₩ 8,178	₩ (6)	₩ 0	₩ 8,172	₩ 5,950	₩ 3	₩ 0	₩ 5,953
Financial bonds	16,895	8	0	16,902	18,075	35	0	18,110	19,578	46	2	19,622
Corporate bonds	6,956	17	2	6,971	9,174	47	2	9,219	12,767	67	2	12,832
Asset-backed securities	868	0	0	868	615	1	0	616	1,546	8	1	1,553
Equity securities:												
Stocks	1,407	455	—	1,862	1,518	436	—	1,954	1,434	1,032	—	2,467
Equity investments	57	(20)	—	37	57	(17)	—	40	57	(21)	—	36
Beneficiary certificates	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—
Total financial assets at fair value through other comprehensive income	29,119	465	2	29,581	37,617	496	2	38,111	41,332	1,135	5	42,463
Financial instruments at amortised cost												
Debt securities:												
Government and public bonds	545	37	—	582	539	38	—	577	2,182	24	—	2,206
Financial bonds	6,246	(51)	0	6,194	7,608	9	0	7,617	5,189	8	0	5,196
Corporate bonds	1,413	21	0	1,434	1,754	17	0	1,771	2,593	(3)	0	2,590
Asset-backed securities	4,590	24	1	4,614	4,065	28	1	4,092	5,596	39	2	5,633
Others	—	—	—	—	—	—	—	—	30	0	0	30
Financial instruments at amortised cost	12,793	31	1	12,824	13,966	92	1	14,057	15,590	67	2	15,655
Total financial investments	**₩53,957**	**₩497**	**₩ 3**	**₩54,449**	**₩65,261**	**₩588**	**₩ 3**	**₩65,846**	**₩72,926**	**₩1,202**	**₩ 7**	**₩74,122**

Derivatives Trading

The Issuer provides and trades a range of derivatives products, including:

- interest rate swaps and options, relating to interest rate risks;
- cross-currency swaps, forwards and options relating to foreign exchange risks; and
- stock price index options linked to the KOSPI index.

The following table shows the estimated fair value of the Issuer's derivatives as of the dates indicated:

	As of December 31,					
	2018		2019		2020	
	Estimated Fair Value Assets	Estimated Fair Value Liabilities	Estimated Fair Value Assets	Estimated Fair Value Liabilities	Estimated Fair Value Assets	Estimated Fair Value Liabilities
	(in billions of Won)					
Foreign exchange derivatives(1)	₩1,010	₩ 949	₩1,504	₩1,283	₩3,551	₩3,343
Interest rate derivatives(1)	604	692	814	885	906	939
Equity derivatives	0	0	0	0	0	—
Others(1)	—	1	—	0	—	0
Total	₩1,614	₩1,642	₩2,318	₩2,168	₩4,457	₩4,282

Note:
(1) Includes those for trading purposes and hedging purposes.

The Issuer's derivatives operations focus on addressing the needs of the Issuer's corporate clients to hedge their risk exposure and the need to hedge the Issuer's risk exposure that results from such client contracts. The Issuer also engages in derivatives trading activities to hedge the interest rate and foreign currency risk exposures that arise from the Issuer's own assets and liabilities. In addition, the Issuer engages in proprietary trading of derivatives within the Issuer's regulated open position limits.

Asset Securitisation Transactions

The Issuer is active in the Korean asset-backed securities market. Based on the Issuer's diverse experience with respect to product development and management capabilities relating to asset securitisation, the Issuer offers customers a wide range of financial products to reinforce the Issuer's position as a leading bank with respect to the asset securitisation market.

Call Loans

The Issuer makes call loans and borrows call money in the short-term money market. Call loans are defined as short-term lending among banks and financial institutions either in Won or in foreign currencies with maturities of 90 days or less. Typically, call loans have maturities of one day.

Investment Banking

The Issuer has focused on selectively expanding its investment banking activities in order to increase its fee income and diversify its revenue base. The main focus of the Issuer's investment banking operations is project finance and financial advisory services. The Issuer's principal investment banking services include:

- project finance and financial advisory services for social overhead capital projects such as highway, port, power, water and sewage projects;
- financing and financial advisory services for real estate development projects;
- structured finance; and
- financing for mergers and acquisitions.

International Banking

The Issuer engages in various international banking activities, including foreign exchange services and derivatives dealing, import and export-related services, offshore lending, syndicated loans and foreign currency securities investment. These services are provided primarily to the Issuer's domestic customers and overseas subsidiaries and affiliates of Korean corporations. The Issuer also raises foreign currency funds through its international banking operations.

The table below sets forth certain information regarding the Issuer's foreign currency assets and borrowings:

	As of December 31,		
	2018	2019	2020
	(in billions of Won)		
Total foreign currency assets	₩25,536	₩30,557	₩43,211
Foreign currency borrowings:			
Debts	9,295	9,250	11,500
Debentures	4,035	4,185	5,774
Total borrowings	₩13,329	₩13,435	₩17,274

The table below sets forth the Issuer's overseas branches and representative offices in operation as of the date of this Offering Circular:

Branches	
Kookmin Bank (China) Ltd. (including 5 branches)	China
Kookmin Bank, Tokyo Branch	Japan
Kookmin Bank, Auckland Branch	New Zealand
Kookmin Bank, New York Branch	United States
Kookmin Bank, London Branch	United Kingdom
Kookmin Bank, Ho Chi Minh City Branch	Vietnam
Kookmin Bank, Hanoi Branch	Vietnam
Kookmin Bank, Hong Kong Branch	Hong Kong
Kookmin Bank, Gurugram Branch	India
Kookmin Bank Cambodia Plc. (including 7 branches)	Cambodia
KB Microfinance Myanmar Co., Ltd. (including 20 branches)	Myanmar
PT Bank Bukopin TBK (including 407 branches)	Indonesia
PRASAC Microfinance Institution Plc. (including 183 branches)	Cambodia

Representative Offices	
Kookmin Bank, Yangon Representative Office	Myanmar

The Issuer's overseas branches and subsidiaries principally provide Korean companies and nationals in overseas markets with trade financing, local currency funding and foreign exchange services, in conjunction with the operations of the Issuer's headquarters.

Trustee and Custodian Services Relating to Investment Trusts and Other Functions

The Issuer acts as a trustee for financial investment companies with a collective investment licence, which invest in investment assets using funds raised by the sale of beneficiary certificates of investment trusts to investors. The Issuer also acts as custodian for financial institutions and as fund administrator for financial institutions with respect to various investments, as well as acting as settlement agent in connection with such services. The Issuer receives a fee for acting in these capacities and generally performs the following functions:

- holding assets for the benefit of the investment trusts or institutional investors;
- receiving and making payments in respect of such investments;
- acting as settlement agent in respect of such investments on behalf of the investment trust or institutional investors, in the domestic and overseas markets;
- providing reports on assets held in custody;
- providing certain foreign exchange services for overseas investment and foreign investors; and
- providing fund-related administration and accounting services.

Other Businesses

Trust Account Management Services

Money Trust Management Services

The Issuer provides trust account management services for both specified money trusts and unspecified money trusts. The Issuer receives fees for its trust account management services consisting of basic fees that are based upon a percentage of either the net asset value of the assets or the principal under management and, for certain types of trust account operations, performance fees that are based upon the performance of the trust account operations. In 2020, the Issuer's basic money trust fees ranged from 0.1% to 2.0% of total assets under management depending on the type of trust account. The Issuer also charges performance fees with respect to certain types of trust account products. The Issuer receives penalty payments when customers terminate their trust accounts prior to the original contract maturity.

The Issuer provides trust account management services for various types of money trusts. The maturities of the money trusts the Issuer manages vary by the type of the trust. Approximately 3.5% of the Issuer's money trusts also provide periodic payments of dividends which are added to the assets held in such trusts and not distributed.

Under Korean law, the assets of the Issuer's trust accounts are segregated from the Issuer's banking account assets and are not available to satisfy the claims of any of the Issuer's potential creditors. The Issuer is, however, permitted to deposit surplus funds generated by trust assets into the Issuer's banking accounts in certain circumstances as set forth under the Financial Investment Services and Capital Markets Act (the "FSCMA") and the regulations thereunder.

As of December 31, 2020, the total balance of the Issuer's money trusts was ₩52,590 billion (as calculated in accordance with Statement of Korea Accounting Standard No. 5004, *Trust Accounts*, and the Enforcement Regulations of Financial Investment Services under the FSCMA, which the Issuer refers to as an "SKAS basis").

As for unspecified money trust accounts, the Issuer has investment discretion over all money trusts, which are pooled and managed jointly for each type of trust account. Specified money trust accounts are established on behalf of individual customers who direct the Issuer's investment of trust assets.

The following table shows the balances of the Issuer's money trusts by type as of the dates indicated. Under Korean IFRS, the Issuer consolidates trust accounts for which it guarantees both the repayment of the principal amount and a fixed rate of interest as well as trust accounts for which it guarantees only the repayment of the principal amount.

	As of December 31,		
	2018	2019	2020
	(in billions of Won)		
Principal and interest guaranteed trusts[(1)]	₩ 0	₩ 0	₩ 0
Principal guaranteed trusts[(1)]	3,783	3,875	3,927
Performance trusts[(1)(2)]	43,629	45,190	48,663
Total	₩47,412	₩ 49,065	₩ 52,590

Notes:

(1) Calculated on an SKAS basis.

(2) Trusts which are primarily non-guaranteed.

As of December 31, 2020, the trust assets the Issuer managed consisted principally of securities investments and loans from the trust accounts. As of December 31, 2020, on an SKAS basis, the Issuer's trust accounts had invested in securities in the aggregate amount of ₩20,850 billion, of which ₩15,570 billion was debt securities and derivative-linked securities. Securities investments consist of Government-related debt securities, corporate debt securities, including bonds and commercial paper, equity securities, derivative-linked securities and other securities. Loans made by the Issuer's trust account operations are similar in type to the loans made by the Issuer's bank account operations. As of

December 31, 2020, on an SKAS basis, the Issuer's trust accounts had made loans in the principal amount of ₩195 billion (excluding loans from the trust accounts to the Issuer's banking accounts of ₩2,593 billion), which accounted for 0.4% of the Issuer's money trust assets. Loans by the Issuer's money trusts are subject to the same credit approval process as loans from the Issuer's banking accounts. As of December 31, 2020, substantially all of the loans from the Issuer's money trust accounts were collateralised or guaranteed.

The Issuer's money trust accounts also invest, to a lesser extent, in equity securities, including beneficiary certificates issued by financial investment companies with a collective investment licence. On an SKAS basis, as of December 31, 2020, equity securities in the Issuer's money trust accounts amounted to ₩5,280 billion, which accounted for 9.8% of the Issuer's total money trust assets. Of this amount, ₩5,080 billion was from specified money trusts and ₩199 billion was from unspecified money trusts.

The Issuer continues to offer pension-type money trusts that provide a guarantee of the principal amount of the investment. On an SKAS basis, as of December 31, 2020, the balance of the money trusts for which the Issuer guaranteed the principal was ₩3,918 billion.

If the income from a money trust for which the Issuer provides a guarantee is less than the amount of the payments the Issuer has guaranteed, the Issuer will need to pay the amount of the shortfall with funds from special reserves maintained with respect to trust accounts followed by basic fees from that money trust and funds from the Issuer's general banking operations. In 2018, 2019 and 2020, the Issuer made no such payments from the Issuer's banking accounts to cover shortfalls in the Issuer's guaranteed trusts.

Property Trust Management Services

The Issuer also offers property trust management services, where the Issuer manages non-monetary assets in return for a fee. Non-monetary assets include mostly securities, but can also include other liquid receivables and real estate. Under these arrangements, the Issuer renders custodial services for the property in question and collects fee income in return.

In 2020, the Issuer's property trust fees ranged from 0.001% to 0.3% of total assets under management depending on the type of trust accounts. On an SKAS basis, as of December 31, 2020, the aggregate balance of the Issuer's property trusts decreased to ₩4,705 billion, compared to ₩5,846 billion as of December 31, 2019.

Bancassurance

The Issuer offers insurance products of other institutions to retail customers in Korea. The Issuer currently markets a wide range of bancassurance products and seeks to generate additional fee-based revenues by expanding its offering of these products. As of December 31, 2020, the Issuer's bancassurance business had alliances with 22 life insurance companies (including its affiliates, KB Life Insurance and Prudential Life Insurance) and 11 non-life insurance companies (including its affiliate, KB Insurance) and offered 102 different products through the Issuer's branch network.

Management of the National Housing and Urban Fund

The National Housing and Urban Fund is a Government fund that provides financial support to low-income households in Korea by providing mortgage financing and construction loans for projects to build small-sized housing. The operations of the National Housing and Urban Fund include providing and managing National Housing and Urban Fund loans, issuing National Housing and Urban Fund bonds and collecting subscription savings deposits.

In February 2013, the Ministry of Land, Infrastructure and Transport (formerly the Ministry of Land, Transport and Maritime Affairs) designated the Issuer as one of the managers of the National Housing and Urban Fund.

The financial accounting for the National Housing and Urban Fund is entirely separate from the Issuer's financial accounting, and the non-performing loans and loan losses of the National Housing and Urban Fund, in general, do not impact the Issuer's financial condition. Regulations and guidelines for managing the National Housing and Urban Fund are issued by the Minister of Land, Infrastructure and Transport pursuant to the Housing Act.

Other Banking Channels

The following table sets forth information, for the periods indicated, on the number of users and transactions of the other banking channels for the Issuer's retail and corporate banking customers, which are discussed below:

	For the year ended December 31,		
	2018	2019	2020
Internet banking:			
Number of users[(1)]	23,281,390	24,165,164	25,313,463
Number of transactions (thousands)[(2)]	5,471,484	8,426,630	14,794,331
Phone banking:			
Number of users[(3)]	5,046,634	5,063,703	5,073,346
Number of transactions (thousands)[(2)]	104,163	93,112	76,595
Smartphone banking:			
Number of users[(4)]	14,645,787	15,501,894	16,681,329
Number of transactions (thousands)[(2)]	7,142,958	9,009,727	13,811,431

Notes:

(1) Number of users is defined as the total cumulative number of retail and corporate customers who have registered through branch offices to use Internet banking services.

(2) Number of transactions includes balance and transaction inquiries, fund transfers and other transactions.

(3) Number of users is defined as the total cumulative number of retail and corporate customers who have registered through branch offices to use phone banking services.

(4) Number of users is defined as the total cumulative number of retail customers who have registered through branch offices, or the customers' smartphones, to use smartphone banking services.

Internet Banking

The Issuer's goal is to consolidate the Issuer's position as a market leader in online banking. The Issuer's Internet banking services currently include:

- basic banking services, including fund transfers, balance and transaction inquiries, pre-set automatic transfers, product inquiries, online bill payments and foreign exchange services;
- investment services, including opening deposit accounts and investing in funds;
- processing of loan applications;
- electronic certification services, which permit the Issuer's Internet banking service users to authenticate their identity and transactions on a confidential basis through digital signatures; and
- wealth management and advisory services, including financial planning and real estate information services.

Phone Banking

The Issuer offers a variety of phone banking services, including inter-account fund transfers, balance and transaction inquiries, customer service inquiries and bill payments. The Issuer also has call centres, which the Issuer primarily uses to:

- advise clients with respect to deposits and loans and to provide the Issuer's customers a way to report any emergencies with respect to their accounts;
- allow the Issuer's customers to conduct transactions with respect to their accounts, such as balance and transfer inquiries, transfers or payments and opening accounts; and
- conduct telemarketing to the Issuer's customers or potential customers to advertise products or services.

Smartphone Banking

"KB Star Banking," the Issuer's mobile banking application for smartphones, allows its customers the flexibility to conduct a variety of financial transactions, including balance and transaction inquiries, fund transfers and asset management, anywhere at any time. The Issuer's smartphone banking services currently include:

- basic banking services, including fund transfers, balance and transaction inquiries, bill payments and foreign exchange services;
- investment services, including investing in savings deposits that are designed specifically for and offered to smartphone banking customers; and
- processing of loan applications and bancassurance services.

The Issuer also continues to develop innovative mobile applications that cater to specific customer needs and lifestyles. For example, the Issuer offers "Liiv," a mobile banking platform designed to make routine transactions easier for the Issuer's customers, including providing easy access to banking services without the additional electronic certification process, foreign currency exchange services with lower fees and functions that allow customers to easily split bills and transfer money. The Issuer also offers a range of other mobile applications, including "Liiv Talk Talk," a mobile peer-to-peer payment and messaging application, "Liiv M," a budget phone service that offers a hybrid of mobile banking and phone services, "Liiv Pay," an overseas mobile payment service and "Liiv Real Estate," the Issuer's new cloud-based real estate application that provides various information on real properties. The Issuer provides its customers with a number of other useful tools, such as "KB Star Alerts," which are free text messages that contain real-time account activity information as well as security alerts, and "KB My Money," a mobile application that allows customers to manage a wide range of assets deposited with various financial institutions.

Other Channels

The Issuer provides cash management services, which include automatic transfers, connection services to other financial institutions, real-time firm banking, automatic fund concentration and transmittal of trading information.

Competition

The Issuer competes principally with other nationwide commercial banks in Korea, as well as regional banks, development banks, specialised banks and branches of foreign banks operating in Korea. The Issuer also competes with other types of financial institutions in Korea, including savings institutions (such as mutual savings and finance companies and credit unions and credit cooperatives), investment institutions (such as merchant banking corporations), life insurance companies, non-life insurance companies, securities companies and other financial investment companies.

Competition in the domestic banking industry is generally based on the types and quality of the products and services offered, including the size and location of retail networks, the level of automation and interest rates charged and paid. Competition has increased significantly in the Issuer's traditional core businesses, retail banking and SME banking, contributing to some extent to the asset quality deterioration in retail and SME loans. As a result, the Issuer's margins on lending activities may decrease in the future.

Furthermore, the introduction of Internet-only banks in Korea is expected to increase competition in the Korean banking industry. Internet-only banks operate without branches and conduct most of their operations through electronic means, which enables them to minimise cost and offer customers higher interest rates on deposits or lower lending rates. In April 2017, K Bank, the first Internet-only bank in Korea, commenced operations. Kakao Bank, another Internet-only bank, in which the Issuer held a 9.4% equity interest as of December 31, 2020, commenced operations in July 2017. In December 2019, Toss Bank obtained a preliminary business authorization to operate as an Internet-only bank from the FSC and is expected to be granted final authorization by June 2021.

In addition, general regulatory reforms in the Korean financial industry have increased competition among banks and other financial institutions in Korea. As the reform of the financial sector continues, foreign financial institutions, some with greater resources than the Issuer, have entered, and may continue to enter, the Korean market either by themselves or in partnership with existing Korean financial institutions and compete with the Issuer in providing financial and related services.

Moreover, the Korean commercial banking sector is undergoing significant consolidation. The number of nationwide commercial banks in Korea has decreased from 16 as of December 31, 1997, to six as of December 31, 2020. A number of significant mergers and acquisitions in the financial industry have taken place in Korea in recent years, including Hana Financial Group's acquisition of a controlling interest in Korea Exchange Bank in 2012 and the subsequent merger of Hana Bank into Korea Exchange Bank in 2015. In addition, as part of the Government's plans to privatise Woori Finance Holdings (the financial holding company of Woori Bank), certain subsidiaries of Woori Finance Holdings were sold to other financial institutions and Woori Finance Holdings itself was merged into Woori Bank in 2014, which established a new financial holding company, Woori Financial Group Inc., in January 2019. The Issuer expects that consolidation in the Korean financial industry will continue. The financial institutions resulting from such consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for the Issuer. The Issuer and its parent, KB Financial Group, intend to review potential acquisition opportunities as they arise. The Issuer cannot guarantee that it will not be involved in any future mergers or acquisitions.

Information Technology

The Issuer regularly implements various IT system-related initiatives and upgrades. The Issuer believes that continuous improvement of its IT systems is crucial in supporting its operations and management and providing high-quality customer service. Accordingly, the Issuer continues to upgrade and improve its systems through various activities, including projects to develop next-generation banking systems, further strengthen system security and timely develop and implement various new IT systems and services that support its business operations and risk management activities.

The Issuer's mainframe-based banking IT systems are designed to ensure continuity of services even where there is a failure of the host data centre due to a natural disaster or other accidents by utilising backup systems in disaster recovery data centres. In addition, through the implementation of Parallel Sysplex, a "multi-CPU system," the Issuer's banking systems are designed and operated to be able to process transactions without material interruption in the event of CPU failure. From 2019 to 2020, the Issuer implemented a banking IT system designed to promote digital transformation and innovation in its IT infrastructure. The Issuer also launched a new disaster recovery system to ensure continuity of operations. In addition, the Issuer implemented new technologies, including Multi-Channel Integration and Enterprise Application Integration systems, to standardise its IT system and better manage IT system operational risk.

The integrity and the ability of the Issuer's IT systems to withstand potential catastrophic events (such as natural calamities and internal system failures) are crucial to the Issuer's continuing operations. The Issuer currently tests its disaster recovery systems on a quarterly basis. For additional information, see "*Risk Management—Operational Risk Management.*"

Property, Plant and Equipment

The Issuer's registered office and headquarters is located at 26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul 07331, Korea. The following table presents information regarding certain of the Issuer's properties in Korea:

Type of facility/building	Location	Area (square metres)
Registered office and headquarters	Yeongdeungpo-gu, Seoul	5,354
Headquarters #2	Yeongdeungpo-gu, Seoul	4,727
Training institute	Ilsan	207,560
Training institute	Daecheon	4,158
Training institute	Sokcho	15,559
Training institute	Cheonan	196,649
IT centre	Gangseo-gu, Seoul	13,116
IT centre	Yeouido, Seoul	5,928
IT centre	Yeouido, Seoul	2,006
IT centre	Gimpo	13,144
Support centre	Seongbuk-gu, Seoul	9,939

In August 2020, the Issuer completed the construction of a second headquarters building in Yeouido, Seoul. The total capital expenditure for its construction has amounted to approximately ₩356.5 billion.

As of the date of this Offering Circular, the Issuer had a countrywide network of 972 branches and sub-branches. Approximately 23% of these facilities are housed in buildings owned by the Issuer, while the remaining branches are leased properties. See "—*Organisational Structure*" for a list of the Issuer's overseas subsidiaries and see "—*Capital Markets Activities and International Banking—International Banking*" for a list of the Issuer's overseas branches and representative and liaison offices in operation as of December 31, 2020. Kookmin Bank International Ltd., previously one of the Issuer's operating subsidiaries, was converted to a branch in London in May 2018. Kookmin Bank, Gurgaon Representative Office in India converted to Kookmin Bank, Gurugram Branch in February 2019, and Kookmin Bank, Hanoi Representative Office in Vietnam was liquidated in October 2020. In December 2020, the Issuer established KB Bank Myanmar Co., Ltd. in Myanmar. Lease terms are generally from two to three years and seldom exceed five years. The Issuer does not own any material properties outside of Korea.

Employees

The following table sets forth information, for the periods indicated, regarding the Issuer's employees:

	As of December 31,		
	2018	2019	2020
Full-time employees[1]	16,802	16,413	16,054
Contractual employees	1,309	1,545	1,728
Managerial employees	9,615	9,276	9,026
Members of Korea Financial Industry Union	14,667	14,658	14,266

Note:
(1) Excluding executive officers.

The Issuer considers its relations with its employees to be satisfactory. Every year, the Issuer's labour union and the Issuer's management negotiate and enter into a new collective bargaining agreement and negotiate annual wage adjustments.

The Issuer's compensation packages consist of base salary and base bonuses. The Issuer also provides performance-based compensation to employees and management. Executive officers, heads of regional headquarters and employees in positions that require professional skills, such as fund managers and dealers, are compensated depending on their individual annual performance evaluation. The Issuer has also implemented a profit-sharing system in order to enhance the performance of its employees. Under this system, the Issuer pays bonuses to its employees, in addition to the base salary and depending on the Issuer's annual performance.

In January 2016, KB Financial Group implemented a "mileage stock" program, pursuant to which it may grant to the Issuer's and its subsidiaries' employees performance-based cash payments that correspond to the market value of KB Financial Group's common stock. The accumulated "miles" of common stock can be exercised for cash during a two-year period commencing on the one-year anniversary of the grant date.

The Issuer provides a wide range of benefits to its employees, including its executive directors. These benefits include medical insurance, employment insurance, workers compensation, employee and spouse life insurance, free medical examinations, child tuition and fee reimbursement, disabled child financial assistance and reimbursement for medical expenses.

In accordance with the National Pension Act, the Issuer contributes an amount equal to 4.5% of employee wages, and each employee contributes 4.5% of his or her wages, into each employee's personal pension account. In addition, in accordance with the Guarantee of Worker's Retirement Benefits Act, the Issuer has adopted retirement pension plans for its employees. Contributions under the retirement pension plans are deposited annually into a financial institution, and an employee may elect to receive a monthly pension or a lump-sum amount upon retirement. The Issuer's retirement pension plans are provided in the form of a defined benefit plan and a defined contribution plan. The defined benefit plan guarantees a certain payout at retirement, according to a fixed formula based on the employee's average salary and the number of years for which the employee has been a plan member. The defined contribution plan, in which the employer's contribution is determined in advance based on one-twelfth of an employee's total annual pay, is managed directly by the employees. Under Korean law, the Issuer may not terminate the employment of full-time employees except under certain limited circumstances. However, the Issuer regularly invites its employees to apply for its early retirement programs, which provide for varying amounts of severance pay based on the duration of time an employee has worked for the Issuer, along with several other key features. The Issuer believes that such programs enhance its productivity and efficiency by improving its labour structure.

In June 2009, KB Financial Group established an employee stock ownership association. All of the Issuer's employees are eligible to participate in this association. Members of KB Financial Group's employee stock ownership association have pre-emptive rights to acquire up to 20% of the shares issued in public offerings by KB Financial Group pursuant to the FSCMA.

Employees of the Issuer have been eligible to participate in its employee stock ownership association, which will be terminated once all of KB Financial Group's common stock held by the association (which the association received following the transfer of the Issuer's shares held by it as a result of the comprehensive stock transfer pursuant to which KB Financial Group was established) has been distributed to the relevant employees of the Issuer at the request of such employees following the expiration of the required holding periods. As of December 31, 2020, the Issuer's employee stock ownership association held 287,355 shares of KB Financial Group common stock.

Legal Proceedings

Excluding the legal proceedings discussed below, the Issuer is not a party to any legal or administrative proceedings and no proceedings are known by the Issuer to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on the Issuer's financial condition or results of operations.

In June 2010, Fairfield Sentry Limited ("Fairfield"), which is currently in liquidation and whose assets were directly or indirectly invested with Bernard L. Madoff Investment Securities LLC ("BLMIS"), filed a lawsuit in the Supreme Court of the State of New York against the Issuer, which acted as a trustee bank for its clients who invested in Fairfield. Fairfield seeks recovery of approximately US$42 million paid to the Issuer by its clients in connection with share redemptions on the ground that such payments were made by mistake, based on inflated values resulting from BLMIS' fraud. In September 2010, the case was transferred to the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), which in turn ordered that the case be returned to a state court in September 2011 but then stayed the lawsuit before it was sent to state court. While the case was stayed, the Bankruptcy Court issued an opinion in December 2018 holding that the claims against the Issuer were deficiently pleaded and thus should be dismissed. In July 2019, the Bankruptcy Court issued an order to the effect that the case would proceed in a federal court, instead of returning to a state court. Fairfield has appealed the Bankruptcy Court's dismissal to the United States District Court for the Southern District of New York (the "District Court"). Legal arguments have been filed in 2020 and the District Court is expected to rule on the appeal during 2021. Fairfield has filed similar actions against numerous other fund investors to seek recovery of redemption payments.

In May 2012, the trustee appointed for the liquidation of BLMIS filed a lawsuit against the Issuer in the Bankruptcy Court. The trustee seeks recovery of approximately US$42 million, the amount of funds that were allegedly redeemed by the Issuer from Fairfield between June 2004 and January 2006. The trustee alleges that Fairfield was a "feeder fund" that invested in BLMIS and that redemptions from such BLMIS feeder fund are avoidable and recoverable under the U.S. Bankruptcy Code and New York law. The Bankruptcy Court issued an order to dismiss the case during the pleading stage of the litigation in March 2017, and the trustee appealed such decision to the United States Court of Appeals for the Second Circuit (the "Second Circuit"), which reversed the dismissal and vacated the judgment in February 2019. The Issuer, along with other defendants, filed a motion asking the Second Circuit to reconsider its ruling and, after such motion was denied, filed a petition for a writ of certiorari asking the United States Supreme

Court to accept an appeal of the Second Circuit's ruling, which was denied in June 2020. Subsequently, the Second Circuit remanded the case to the Bankruptcy Court for further proceedings, which are currently ongoing in 2021. The trustee has filed similar claw back actions against numerous other institutions.

In February 2018, pursuant to a request by the FSS, the Supreme Prosecutors' Office of Korea commenced an investigation into alleged irregularities in hiring practices at certain Korean banks, including the Issuer. In May 2018, the prosecutors charged four current and former executive officers and employees of the Issuer with obstruction of business and violation of the Act on the Equal Employment for Both Sexes, for violating certain regulations relating to the evaluation and hiring of certain individuals in 2015 and 2016. In October 2018, the Seoul Southern District Court sentenced such executive officers and employees to probation and ordered the Issuer to pay a fine in the amount of ₩5 million. The individuals and the Issuer have since appealed such ruling.

In September 2020, PT Bosowa Corporindo ("Bosowa"), the second largest shareholder of Bank Bukopin, filed a lawsuit against Otoritas Jasa Keuangan (the Financial Services Authority of Indonesia) ("OJK"), and subsequently, Bank Bukopin, in its capacity as an intervening defendant, in the Jakarta State Administrative Court, demanding a reversal of OJK's decision in August 2020 to impose certain restrictive measures on Bosowa's ability to act as a shareholder of Bank Bukopin. The Jakarta State Administrative Court ruled in favor of Bosowa, which decision both OJK and Bank Bukopin are currently appealing. Subsequently, in November 2020, Bosowa filed a lawsuit against the Issuer and OJK as joint defendants in the Central Jakarta District Court of Indonesia, alleging that the Issuer's acquisition of Bank Bukopin's shares in September 2020, as well as the capital increase through which the Issuer obtained such shares, violated certain Indonesian laws and regulations, and claimed IDR 20,759 billion in damages to compensate Bosowa's losses as a shareholder of Bank Bukopin. Although it is currently difficult to predict the outcome of these lawsuits with any degree of certainty, the Issuer believes that the grounds for such lawsuits are unfounded and do not expect them to have a material effect on the Issuer's financial condition.

ASSETS AND LIABILITIES

The tables below set out selected financial highlights regarding the Issuer's assets and liabilities, on a consolidated basis, except as otherwise indicated.

Loan Portfolio

Loan Types

The following table presents, on a separate basis, loans by type as of the dates indicated. Except where specified otherwise, all loan amounts stated below are before deduction of allowances for loan losses. Total loans reflect the Issuer's loan portfolio, including past due amounts, on a separate basis.

	As of December 31,		
	2018	2019	2020
	(in billions of Won)		
Domestic:			
Corporate			
SME	₩ 99,142	₩104,540	₩115,322
Large corporate(1)	32,527	34,292	33,756
Retail			
Mortgage and home equity	100,972	105,296	112,817
Other consumer	40,782	43,111	49,511
Total domestic	273,424	287,239	311,406
Foreign	3,095	5,501	7,658
Total gross loans	₩276,519	₩292,740	₩319,064

Note:
(1) Large corporate loans include loans to the Government or Government-related agencies (including KDIC).

Twenty Largest Exposures by Borrower

As of December 31, 2020, on a separate basis, the Issuer's 20 largest exposures totalled ₩13,125 billion and accounted for 3.3% of its total exposures. The following table sets forth, on a separate basis, the Issuer's total exposures to these top 20 borrowers or issuers as of December 31, 2020:

	Loans					
	Won Currency	Foreign Currency	Equity Securities	Debt Securities	Guarantees and Acceptances	Total Exposures
	(in billions of Won)					
Company(1)						
MiraeAsset Daewoo	₩ 900	₩ —	₩ —	₩ 93	₩ —	₩ 993
Samsung Securities.	860	109	—	—	—	969
KakaoBank	—	—	952	—	—	952
LG Display	120	348	—	3	435	906
MERITZ Securities	614	250	—	—	—	864
KEB Hana Bank	533	40	—	287	—	860
Hyundai Steel	119	513	—	112	30	774
Hyundai Motor	—	680	—	30	47	757
POSCO	—	—	430	308	—	738
Hyundai Heavy Industries	100	51	—	—	451	602
Kia Motors	300	211	—	42	—	553
Lotte Property & Development	—	—	—	—	544	544
Hyundai Capital Services	340	—	—	107	—	447
Samsung Heavy Industries	—	84	—	—	393	477
Samsung SDI	—	413	—	52	—	465

	Loans					
	Won Currency	Foreign Currency	Equity Securities	Debt Securities	Guarantees and Acceptances	Total Exposures
			(in billions of Won)			
Lotte Shopping	—	246	—	101	109	456
Samsung C&T	—	5	—	—	434	439
Korean Reinsurance	—	—	—	—	421	421
LG Electronics	340	—	—	78	—	418
Bank of Communications	—	381	—	21	—	402
Total	₩4,226	₩3,331	₩1,382	₩1,234	₩2,864	₩13,037

Note:

(1) Excludes exposures to Government-owned or -controlled enterprises or financial institutions, including the Government, the Korea Development Bank and Korea Housing Finance Corporation, among others.

As of December 31, 2020, nine of these top 20 borrowers or issuers were companies belonging to the 28 largest highly-indebted business groups among *chaebols* in Korea designated as such by the FSS based on their outstanding exposures.

Exposure to *Chaebols*

As of December 31, 2020, on a separate basis, 5.4% of the Issuer's total exposure was to the 28 largest highly-indebted business groups among *chaebols* in Korea designated as such by the FSS based on their outstanding exposures. The following table shows, on a separate basis, the Issuer's total exposures to the ten *chaebol* groups to which it has the largest exposure as of December 31, 2020:

	Loans					
	Won Currency	Foreign Currency	Equity Securities	Debt Securities	Guarantees and Acceptances	Total Exposures
			(in billions of Won)			
Chaebol						
Hyundai Motor	₩ 820	₩1,792	₩ —	₩ 471	₩ 517	₩ 3,600
Samsung	1,165	1,033	2	223	855	3,278
SK	515	599	—	712	168	1,994
LG	506	357	—	363	528	1,754
Lotte	443	416	—	282	710	1,851
Hanwha	590	336	56	215	199	1,396
Hyundai Heavy Industries	243	149	—	69	1,000	1,461
DSME	26	37	30	—	46	139
POSCO	153	64	430	329	255	1,231
GS	142	42	—	301	56	541
Total	₩4,603	₩4,825	₩518	₩2,965	₩4,334	₩17,245

Loan Concentration by Industry

The following table presents, on a separate basis, the aggregate balance of the Issuer's domestic and foreign corporate loans, by industry concentration, as of the dates indicated:

	As of December 31,					
	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)					
Industry						
Services	₩ 58,908	43.6%	₩ 62,474	43.2%	₩ 69,933	44.6%
Manufacturing	40,971	30.3	41,584	28.7	43,242	27.6
Wholesale and retail	16,012	11.9	17,594	12.2	20,548	13.1
Financial institutions	11,356	8.4	14,085	9.7	13,610	8.7
Construction	2,628	1.9	2,671	1.8	2,574	1.6
Public sector	821	0.6	1,162	0.8	1,114	0.7
Others	4,490	3.3	5,143	3.6	5,832	3.7
Total	₩135,186	100.0%	₩144,713	100.0%	₩156,853	100.0%

The COVID-19 pandemic has heavily impacted certain industries, including those in the services sector such as transportation, food and beverage, hotel, leisure and shipping, and those in the manufacturing sector such as automobile transportation equipment manufacturing, automotive component manufacturing, electronic component manufacturing, telecommunications and shipbuilding. There have also been initiatives to suspend the principal and interest payment obligations of certain borrowers for an extended period of time due to COVID-19. See "*Risk Factors—Other risks relating to the Issuer's business—The ongoing global pandemic of COVID-19 and any possible recurrence of other types of widespread infectious disease may adversely affect the Issuer's business, financial condition or results of operations*." The following table presents the Issuer's exposure and additional provisions recognized for certain industries most impacted by COVID-19, as well as the Issuer's exposure and additional provisions recognized as of December 31, 2020 in connection with the Issuer's initiatives to suspend the payment obligations of certain of its borrowers.

	As of December 31, 2020			
	Industry sectors affected by COVID-19(1)		Suspension of principal and interest payment	
	Exposure	Additional provisions	Exposure	Additional provisions
	(in billions of Won)			
Loans	₩111,137	₩ 57	₩8,804	₩6
Acceptances and guarantees, and unused loan commitments	₩ 33,866	(I)₩35	₩ 597	₩1
Total	₩145,003	₩ 92	₩9,401	₩7

(1) Includes service industries (e.g., transportation, food and beverage, hotel, leisure and shipping) and manufacturing industries (e.g., automobile transportation equipment, automotive components, petrochemical, electronic components, telecommunications and shipbuilding).

Maturity Analysis

The Issuer typically rolls over its working capital loans and unsecured consumer loans (other than those payable in instalments) after it conducts its normal loan review in accordance with its loan review procedures. Working capital loans may generally be extended on an annual basis for an aggregate term of five years and unsecured consumer loans may generally be extended for another term of up to 12 months for an aggregate term of ten years.

The following table sets out, on a separate basis, the scheduled maturities (time remaining until maturity) of the Issuer's loan portfolio as of December 31, 2020. The amounts disclosed are before deduction of allowances for loan losses:

	1 Year or Less	Over 1 year But Not More Than 5 Years	Over 5 Years	Total
	(in billions of Won)			
Domestic:				
Corporate				
SMEs	₩ 81,637	₩29,203	₩ 4,481	₩115,322
Large corporate	22,393	9,179	2,184	33,756
Total corporate	104,030	38,382	6,665	149,078
Retail				
Mortgage and home equity	13,268	20,195	79,353	112,817
Other consumer	36,435	7,862	5,214	49,511
Total retail	49,703	28,057	84,567	162,328
Total domestic	153,733	66,439	91,232	311,406
Foreign	3,465	3,514	678	7,658
Total gross loans	₩157,198	₩69,953	₩91,910	₩319,064

Interest Rate Sensitivity

The following table shows, on a separate basis, the total amount of loans due after one year which have fixed interest rates and variable or adjustable interest rates as of December 31, 2020:

	As of December 31, 2020
	(in billions of Won)
Fixed rate[(1)]	₩ 34,030
Variable or adjustable rates[(2)]	127,834
Total gross loans	₩161,864

Note:

(1) Fixed rate loans are loans for which the interest rate is fixed for the entire term.

(2) Variable or adjustable rate loans are loans for which the interest rate is not fixed for the entire term.

For additional information regarding the Issuer's management of interest rate risk, see "*Risk Management—Market Risk Management.*"

Credit Exposures to Companies in Workout, Restructuring or Rehabilitation

Workout is a voluntary procedure through which the Issuer, together with the borrower and other creditors, seeks to restore the borrower's financial stability and viability. Previously, workouts were regulated under a series of Corporate Restructuring Promotion Acts, which last expired on June 30, 2018. In September 2018, the National Assembly of Korea adopted a new Corporate Restructuring Promotion Act, which became effective in October 2018 and is scheduled to expire in October 2023.

Under the new Corporate Restructuring Promotion Act, creditors of a financially troubled borrower may participate in a creditors' committee, which is authorised to prohibit such creditors from exercising their rights against the borrower, commence workout procedures and approve or make revisions to a reorganisation plan prepared by the lead creditor bank, the borrower and external experts. The composition of the creditors' committee is determined at the initial meeting of the committee by the approval of creditors holding not less than 75% of the borrower's total outstanding debt held by creditors who were notified of the initial meeting of the committee. Although creditors that are not financial institutions or hold less than 1% of the total outstanding debt of the borrower need not be notified of the initial meeting of the creditors' committee, if such creditors wish to participate, they may not be excluded. Any decision of the creditors' committee required the approval of creditors holding not less than 75% of the total outstanding debt of the borrower. However, if a single creditor holds 75% or more of the borrower's total outstanding debt held by the creditors comprising the creditors' committee, any decision of the creditors' committee requires the approval of not less than 40% of the total number of creditors (including such single creditor) comprising the committee. An additional approval of creditors holding not less than 75% of the secured debt is required with respect to the borrower's debt restructuring. Once approved, any decision made by the creditors' committee is binding on all creditors of the borrower, with the exception of those creditors that are excluded by a resolution of the committee at its initial meeting and those who exercise their right to request that their claims be purchased. Creditors that vote against commencement of workout, approval or revision of the reorganisation plan, debt restructuring, granting of new credit, extension of the joint management process or other resolutions of the committee have the right to request the creditors that vote in favour of such matters to purchase their claims at a mutually agreed price. In the event that the parties are not able to agree on the terms of purchase, a coordination committee consisting of experts would determine the terms. The creditors that oppose a decision made by the coordination committee may request a court to change such decision.

Upon approval of a workout plan, a credit exposure is initially classified as precautionary or lower and thereafter cannot be classified higher than precautionary with limited exceptions. If a corporate borrower is in workout, restructuring or rehabilitation, the Issuer takes the status of the borrower into account in valuing the Issuer's loans to and collateral from that borrower for purposes of establishing the Issuer's allowances for credit losses.

Korean law also provides for corporate rehabilitation proceedings, which are court-supervised procedures to rehabilitate an insolvent company. Under these procedures, a restructuring plan is adopted at a meeting of interested parties, including creditors of the company. Such restructuring plan is subject to court approval.

As of December 31, 2020, on a separate basis, the Issuer's loans and guarantees to companies that were in workout, restructuring or rehabilitation amounted to ₩335 billion or 0.1% of the Issuer's total loans and guarantees, most of which were classified as impaired.

The following table shows, on a separate basis, the Issuer's ten largest credit exposures that were in workout, restructuring or rehabilitation as of December 31, 2020:

Company	Loans		Equity Securities	Debt Securities	Guarantees and Acceptances	Total Exposures	Amounts Classified as Impaired Loans
	Won Currency	Foreign Currency					
				(in billions of Won)			
Orient Shipyard Co., Ltd	₩ 49	₩ 2	₩—	₩—	₩—	₩ 51	₩ 51
Doing Il Construction Co., Ltd	40	—	—	—	—	40	40
Trans-Pacific Resources LTD.	—	11	—	—	2	13	11
Ubcell Co., Ltd.	13	—	—	—	—	13	13
Donghwa IND Co., Ltd.	10	—	—	—	—	10	10
Woojeon Co., Ltd	—	9	—	—	—	9	9
Yonghyun Co., Ltd	8	—	—	—	—	8	—
JNE INC.	7	—	—	—	—	7	—
A private rental business	7	—	—	—	—	7	—
Taebang Patec Co., Ltd.	6	—	—	—	—	6	6
Total	₩140	₩22	₩—	₩—	₩ 2	₩164	₩140

Provisioning Policy

Under Korean IFRS 1109, which replaced Korean IFRS 1039, for annual periods commencing on or after January 1, 2018, the Issuer establishes allowances for credit losses based on expected credit losses instead of incurred losses (as was the case under Korean IFRS 1039) by assessing changes in expected credit losses and recognizing such changes as impairment loss (or reversal of impairment loss) in profit or loss. According to three stages of credit risk deterioration since initial recognition under Korean IFRS 1109, the allowance required to be established with respect to a loan or receivable is (i) the amount of the expected 12-month credit loss for stage 1 loans or receivables and (ii) the expected lifetime credit loss for stages 2 and 3 loans or receivables.

If additions or changes to the allowances for loan losses are required, then the Issuer records a provision for loan losses, which is included in impairment losses on credit loss and treated as a charge against current income. Credit exposures that the Issuer deems to be uncollectible, including actual loan losses, net of recoveries of previously charged-off amounts, are charged directly against the allowances for loan losses.

The Issuer generally considers the following loans to be impaired loans:

- loans that are past due by 90 days or more;
- loans that are subject to legal proceedings related to collection;
- loans to a borrower that has received a warning from the Korea Credit Information Services indicating that such borrower has exhibited difficulties in making timely payments of principal and interest;
- loans to corporate borrowers that are rated C or D according to the Issuer's internal credit ratings for large companies or SMEs;
- loans for which account-specific provisions have been made resulting from a significant perceived decline in credit quality; and
- loans with respect to which the amount of principal and interest payable has been materially decreased due to restructuring.

The Issuer regularly evaluates the adequacy of the overall allowances for loan losses and the Issuer believes that the allowances for loan losses reflect its best estimate of probable loan losses as of each balance sheet date.

Loan Aging Schedule

The following table shows, on a separate basis, the Issuer's loan aging schedule (excluding accrued interest) as of the dates indicated:

As of December 31,	Normal Amount	%	Amount Past Due 1-3 Months	%	Amount Past Due 3-6 Months	%	Amount Past Due 6 Months or More	%	Total Amount
	(in billions of Won, except percentages)								
2018	₩275,838	99.8%	₩288	0.1%	₩207	0.1%	₩185	0.1%	₩276,518
2019	292,029	99.8	279	0.1	217	0.1	215	0.1	292,740
2020	318,509	99.8	260	0.1	128	0.0	165	0.1	319,062

Non-performing Loans

Non-performing loans are defined as loans that are past due by 90 days or more. These loans are generally classified as substandard or below. For further information on the classification of non-performing loans under Korean regulatory requirements, see "—*Regulatory Reserve for Credit Losses*" below.

The following table shows, on a separate basis, certain details of the Issuer's total non-performing loan portfolio as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	(in billions of Won, except percentages)		
Total non-performing loans	₩392	₩432	₩293
As a percentage of total loans	0.1%	0.1%	0.1%

The Issuer has also issued securities backed by non-performing loans and collateralised bond obligations. Some of these transactions involve transfers of loans through securitisations where control of the loans has not been surrendered and, therefore, are not treated as sale transactions. Instead, the assets remain on the Issuer's balance sheet with the securitisation proceeds treated as secured borrowings.

Analysis of Non-Performing Loans

The following table sets forth, on a separate basis, the Issuer's total non-performing loans by type of borrower as of the dates indicated:

	As of December 31,					
	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)					
Domestic:						
Corporate						
SMEs	₩188	48.0%	₩176	40.8%	₩111	37.8%
Large corporate	12	3.0	6	1.4	1	0.3
Total corporate	200	51.0	182	42.2	112	38.1
Retail						
Mortgage and home equity	128	32.7	180	41.7	133	45.2
Other consumer	64	16.3	70	16.1	49	16.7
Total retail	192	49.0	250	57.8	182	61.9
Total domestic	392	100.0	432	100.0	293	100
Foreign	—	—	—	—	0	0.1
Total non-performing loans	₩392	100.0%	₩432	100.0%	₩293	100.0%

Top 20 Non-Performing Loans

As of December 31, 2020, the Issuer's 20 largest non-performing loans accounted for, on a separate basis, 0.4% of its total non-performing loan portfolio. The following table shows, on a separate basis, certain information regarding the Issuer's 20 largest non-performing loans as of December 31, 2020:

	Industry	Gross Principal Outstanding	Allowances for Loan Losses[1]
		(in millions of Won)	
Borrower A	Manufacturing	₩17,218	₩7,287
Borrower B	Manufacturing	3,972	385
Borrower C	Service	3,321	266
Borrower D	Service	2,355	16
Borrower E	Others	2,263	24
Borrower F	Construction	2,182	15
Borrower G	Manufacturing	2,000	1,016
Borrower H	Manufacturing	1,957	661
Borrower I	Manufacturing	1,804	1,801
Borrower J	Others	1,780	13

	Industry	Gross Principal Outstanding	Allowances for Loan Losses[(1)]
		(in millions of Won)	
Borrower K	Manufacturing	1,760	180
Borrower L	Manufacturing	1,640	201
Borrower M	Manufacturing	1,628	1,628
Borrower N	Manufacturing	1,563	66
Borrower O	Service	1,460	255
Borrower P	Manufacturing	1,275	69
Borrower Q	Service	1,243	370
Borrower R	Service	1,237	477
Borrower S	Wholesale and retail	1,043	225
Borrower T	Manufacturing	1,042	16
Total		₩52,743	₩14,971

Note:

(1) If the estimated recovery value of collateral for a non-performing loan is sufficient compared to the outstanding loan balance, no allowances for loan losses for such non-performing loan is recorded.

Non-performing Loan Strategy

One of the Issuer's primary objectives is to prevent the Issuer's loans from becoming non-performing. Through the Issuer's corporate credit rating systems, the Issuer believes that it has reduced its risks relating to future non-performing loans. The Issuer's credit rating systems are designed to prevent the Issuer's loan officers from extending new loans to borrowers with high credit risks based on the borrower's credit rating. The Issuer's early warning system is designed to bring any sudden increase in a borrower's credit risk to the attention of the Issuer's loan officers, who then closely monitor such loans. See "*Risk Management—Credit Risk Management.*"

Notwithstanding the above, if a loan becomes non-performing, an officer at the branch level responsible for monitoring non-performing loans will commence a due diligence review of the borrower's assets, send a notice either demanding payment or stating that the Issuer will take legal action and prepare for legal action.

At the same time, the Issuer will also initiate its non-performing loan management process, which begins with:

- identifying loans subject to a proposed sale by assessing the estimated losses from such sale based on the estimated recovery value of collateral, if any, for such non-performing loans;
- identifying loans subject to charge-off based on the estimated recovery value of collateral, if any, for such non-performing loans and the estimated rate of recovery of unsecured loans; and
- on a limited basis, identifying corporate loans subject to normalisation efforts based on the cash flow situation of the borrower.

Once the details of a non-performing loan are identified, the Issuer pursues early solutions for recovery. While the overall process is the responsibility of the Issuer's Credit Division, actual recovery efforts on non-performing loans are handled at the operating branch level.

Methods for resolving non-performing loans include the following:

- non-performing loans are managed by the operating branches until such loans are charged off;
- a demand note is dispatched by mail if payment is generally one month past due;
- calls and visits are made by the operating branches to customers encouraging them to make payments;
- borrowers who are past due on payments of interest and principal are registered on the Korea Federation of Issuers' database of non-performing loans;

- for unsecured loans, the loans are transferred to the Issuer's affiliate, KB Credit Information, for collection on a case-by-case basis;
- for secured loans, actions to enforce or protect the security interests (including foreclosure and auction of the collateral) are commenced within four months of such loans becoming past due; and
- charged off loans are given to KB Credit Information for collection, except for loans where the cost of collection exceeds the possible recovery or where the statute of limitations for collection has expired.

If a loan becomes non-performing, it is managed by an operating branch until such loan is charged off. However, in order to promote speedy recovery on loans subject to foreclosures and litigation, the Issuer's policy is to permit the branch responsible for handling these loans to request one of the Issuer's regional head offices for assistance with litigation proceedings and proceedings related to foreclosure and auction of the collateral.

In addition to making efforts to collect on these non-performing loans, the Issuer also undertakes measures to reduce the level of the Issuer's non-performing loans, which include:

- selling the Issuer's non-performing loans to third parties, including the Korea Asset Management Corporation; and
- entering into asset securitisation transactions with respect to the Issuer's non-performing loans.

The Issuer generally expects to suffer a partial loss on loans that it sells or securitises, to the extent such sales and securitisations are recognised under Korean IFRS as sale transactions.

Allocation and Analysis of Allowances for Loan Losses

The following table presents, on a separate basis, the allocation of the Issuer's allowances for loan losses by loan type as of the dates indicated. The ratio represents, on a separate basis, the percentage of allowances for loan losses in each category to total allowances for loan losses.

	As of December 31,					
	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)					
Domestic						
Corporate						
SME	₩ 536	35.0%	₩ 500	38.0%	₩ 558	40.2%
Large corporate	541	35.3	327	24.9	279	20.1
Total corporate	1,077	70.3	827	62.9	837	60.3
Retail						
Mortgage and home equity	37	2.4	44	3.3	53	3.8
Other consumer	408	26.6	430	32.7	469	33.8
Total retail	445	29.0	474	36.0	522	37.6
Total domestic	1,522	99.3	1,301	98.9	1,359	97.8
Foreign(1)	11	0.7	14	1.1	30	2.2
Total allowances for loan losses	₩1,533	100.0%	₩1,315	100.0%	₩1,389	100.0%

Note:

(1) Consists primarily of loans to corporations.

The following table analyses, on a separate basis, the Issuer's allowances for loan losses and loan loss experience for each of the periods indicated:

	As of December 31, 2018				As of December 31, 2019				As of December 31, 2020			
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Total	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Total	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Total
		Non-impaired	Impaired			Non-impaired	Impaired			Non-impaired	Impaired	
	(in millions of Won, except percentages)											
Balance at the beginning of the period	₩ 342,707	₩ 419,159	₩ 877,784	₩1,639,650	₩ 362,742	₩ 452,643	₩ 717,442	₩1,532,827	₩ 366,822	₩ 437,371	₩ 510,361	₩1,314,554
Amounts charged against income	8,005	97,271	16,929	122,205	(17,403)	(18,252)	148,014	112,359	48,349	163,745	191,346	403,440
Sale	(321)	(4)	(15,175)	(15,500)	(467)	(4)	(9,676)	(10,147)	(1,549)	(19)	(22,111)	(23,679)
Stage transference:												
Transfer to 12-month expected credit losses	138,588	(137,624)	(964)	—	217,683	(204,166)	(13,517)	—	227,900	(220,319)	(7,582)	(1)
Transfer to lifetime expected credit losses (non-impaired)	(124,450)	146,855	(22,405)	—	(194,020)	286,230	(92,210)	—	(134,616)	288,041	(153,425)	(1)
Transfer to lifetime expected credit losses (impaired)	(3,042)	(73,819)	76,861	—	(2,143)	(82,091)	84,234	—	(2,154)	(161,517)	163,671	—
Gross charge-offs:												
Domestic:												
Corporate												
Small- and medium-sized enterprise	—	—	(30,785)	(30,785)	—	—	(16,283)	(16,283)	—	—	(13,197)	(13,197)
Large corporate	0	(5)	(198,115)	(198,120)	—	2	(201,250)	(201,248)	375	(1)	(188,392)	(188,018)
Retail												
Mortgage and home equity	—	(1)	(5,034)	(5,035)	—	(1)	(4,499)	(4,500)	—	(2)	(8,218)	(8,220)
Other consumer	—	(1)	(292,194)	(292,195)	(2)	25	(317,576)	(317,553)	325	(3)	(318,889)	(318,567)
Credit cards	—	—	—	—	—	—	—	—	—	—	—	—
Foreign:	—	—	—	—	—	—	—	—	—	(1,298)	1,298	—
Total gross charge-offs	—	(7)	(526,128)	(526,135)	(2)	26	(539,608)	(539,584)	700	(1,303)	(527,398)	(528,002)
Recoveries:												
Domestic:												
Corporate												
Small-and medium-sized enterprise	—	—	35,382	35,382	—	—	57,299	57,299	3,984	—	18,484	22,468
Large corporate	—	—	134,731	134,731	—	—	72,909	72,909	(4)	—	86,063	86,060
Retail												
Mortgage and home equity	—	—	8,532	8,532	—	—	2,421	2,421	—	—	11,074	11,074
Other consumer	—	—	105,813	105,813	—	—	108,552	108,552	—	—	110,702	110,702
Credit cards	—	—	—	—	—	—	—	—	—	—	—	—
Foreign:	—	—	—	—	—	—	—	—	—	—	—	—
Total recoveries	—	—	284,458	284,458	—	—	241,181	241,181	3,979	—	226,323	230,304
Net charge-offs	1	(7)	(241,670)	(241,677)	(2)	26	(298,427)	(298,403)	4,679	(1,303)	301,075	(297,699)
Other charges	1,254	812	26,082	28,148	432	2,985	(25,499)	(22,082)	(1,604)	(658)	(5,453)	(7,715)
Balance at the end of the period	₩ 362,741	₩ 452,643	₩ 717,442	₩1,532,826	₩ 366,822	₩ 437,371	₩ 510,361	₩1,314,554	₩ 507,827	₩ 505,341	₩ 375,732	₩1,388,900
Ratio of net charge-offs during the period to average loans outstanding during the period				0.1%				0.1%				0.1%

Regulatory Reserve for Credit Losses

If the Issuer's allowances for credit losses are deemed insufficient for regulatory purposes, the Issuer is required to compensate for the difference by recording a regulatory reserve for credit losses, which is segregated within the Issuer's retained earnings. Regulatory reserve for credit losses is not available for distribution to shareholders as dividends. The level of regulatory reserve for credit losses required to be recorded is equal to the amount by which the Issuer's allowances for credit losses are less than the greater of (x) the amount of expected loss calculated using the internal ratings-based approach under Basel III and as approved by the FSS and (y) the required amount of credit loss reserve calculated based on standards prescribed by the FSC. As of December 31, 2020, on a separate basis, the Issuer's regulatory reserve for credit losses was ₩2,434 billion.

The following tables set forth the FSC's guidelines for the classification of loans and the minimum percentages of the outstanding principal amount of the relevant loans or balances that the credit loss reserve must cover:

Loan Classification	Loan Characteristics
Normal	Loans extended to customers that, based on the Issuer's consideration of their business, financial position and future cash flows, do not raise concerns regarding their ability to repay the loans.
Precautionary	Loans extended to customers that (i) based on the Issuer's consideration of their business, financial position and future cash flows, show potential risks with respect to their ability to repay the loans, although showing no immediate default risk or (ii) are in arrears for one month or more but less than three months.
Substandard	(i) Loans extended to customers that, based on the Issuer's consideration of their business, financial position and future cash flows, are judged to have incurred considerable default risks as their ability to repay has deteriorated; or (ii) the portion that the Issuer expects to collect of total loans (a) extended to customers that have been in arrears for three months or more, (b) extended to customers that have incurred serious default risks due to the occurrence of, among other things, final refusal to pay their debt instruments, entry into liquidation or bankruptcy proceedings, or closure of their businesses, or (c) extended to customers who have outstanding loans that are classified as "doubtful" or "estimated loss."
Doubtful	Loans exceeding the amount that the Issuer expects to collect of total loans to customers that: (i) based on the Issuer's consideration of their business, financial position and future cash flows, have incurred serious default risks due to noticeable deterioration in their ability to repay; or (ii) have been in arrears for three months or more but less than 12 months.
Estimated loss	Loans exceeding the amount that the Issuer expects to collect of total loans to customers that: (i) based on the Issuer's consideration of their business, financial position and future cash flows, are judged to be accounted as a loss because the inability to repay became certain due to serious deterioration in their ability to repay; (ii) have been in arrears for 12 months or more; or (iii) have incurred serious risks of default in repayment due to the occurrence of, among other things, final refusal to pay their debt instruments, liquidation or bankruptcy proceedings or closure of their business.

Loan Classifications	Corporate(1)	Consumer
Normal	0.85% or above	1% or above
Precautionary	7% or above	10% or above
Substandard	20% or above	20% or above
Doubtful	50% or above	55% or above
Estimated loss	100%	100%

Note:
(1) Subject to certain exceptions pursuant to the Banking Industry Supervision Regulation of Korea.

Loan Charge-Offs

Basic Principles

The Issuer attempts to minimise loans to be charged off by adhering to a sound credit approval process based on credit risk analysis prior to extending loans and a systematic management of outstanding loans. However, if charge-offs are necessary, the Issuer charges off loans subject to its charge-off policy at an early stage in order to maximise accounting transparency, to minimise any waste of resources in managing loans which have a low probability of being collected and to reduce the Issuer's non-performing loan ratio.

Loans to Be Charged Off

Loans are charged off if they are deemed to be uncollectible by falling under any of the following categories:

- loans for which collection is not foreseeable due to insolvency, bankruptcy, compulsory execution, disorganisation, dissolution or the shutting down of the business of the debtor;
- loans for which collection is not foreseeable due to the death or disappearance of the debtor;
- loans for which expenses of collection exceed the collectable amount;
- loans on which collection is not possible through legal or any other means; and
- the portion of loans classified as "estimated loss," net of any recovery from collateral, which is deemed to be uncollectible.

Procedure for Charge-off Approval

In order to charge off corporate loans, an application for a charge-off must be submitted to the Credit Management Department promptly after the corporate loan is classified as estimated loss or deemed uncollectible. The Credit Management Department refers the charge-off application to the Issuer's Channel Audit Department for their review to ensure compliance with the Issuer's internal procedures for charge-offs. Then, the Credit Management Department, after reviewing the application to confirm that it meets relevant requirements, seeks an approval from the FSS for the Issuer's charge-offs, which is typically granted. Once the Issuer receives approval from the FSS, the Issuer must also obtain approval from its senior management to charge off those loans. For accounting purposes, the Issuer recognises charge-offs of corporate loans under Korean IFRS prior to approval from the FSS.

With respect to unsecured retail loans, the Issuer follows a different process to determine which unsecured retail loans should be charged off, based on the length of time those loans are past due. The Issuer charges off unsecured retail loans deemed to be uncollectible under Korean IFRS.

Treatment of Loans Charged Off

Once loans are charged off, the Issuer classifies them as charged-off loans and removes them from its balance sheet. These loans are managed based on a different set of procedures. The Issuer continues its collection efforts in respect of these loans although loans may be charged off before the Issuer begins collection efforts in some circumstances.

If a collateralised loan is overdue, the Issuer will, typically within one year from the time that such loan became overdue (or after a longer period in certain circumstances), petition a court to foreclose and sell the collateral through a court-supervised auction. If a debtor ultimately fails to repay and the court grants its approval for foreclosure, the Issuer will sell the collateral, net of expenses incurred from the auction.

Investment Portfolio

Investment Policy

The Issuer invests in and trades Won-denominated and, to a lesser extent, foreign currency-denominated securities for its own account to:

- maintain the stability and diversification of the Issuer's assets;

- maintain adequate sources of back-up liquidity to match the Issuer's funding requirements; and
- supplement income from the Issuer's core lending activities.

In making securities investments, the Issuer takes into account a number of factors, including macroeconomic trends, industry analysis, credit evaluation and maturity in determining whether to make particular investments in securities.

The Issuer's investments in securities are also subject to a number of guidelines, including limitations prescribed under the Financial Holding Company Act and the Bank Act. Under these regulations, the Issuer must limit its investments in equity securities and certain other securities with a redemption period of over three years (other than Government bonds, the Monetary Stabilisation Bonds issued by the BOK, among others) to 100% of its total Tier I and Tier II capital amount (less any capital deductions). Generally, the Issuer is also prohibited from acquiring more than 15% of the shares with voting rights issued by any other corporation subject to certain exceptions. Pursuant to the Bank Act, a bank and its trust accounts are prohibited from acquiring the shares of a major shareholder (for the definition of "major shareholder," see "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Financial Exposure to Any Individual Customer or Major Shareholder*") of that bank in excess of an amount equal to 1% of the sum of the bank's Tier I and Tier II capital (less any capital deductions). Further information on the regulatory environment governing the Issuer's investment activities is set out in "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Liquidity*" and "*Regulation and Supervision—Legal and Regulatory Framework in Korea—Restrictions on Shareholdings in Other Companies.*"

For the definitions of the three categories of securities the Issuer holds (financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial instruments at amortised cost), see Note 3.5 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular. The Issuer also holds limited balances of venture capital securities, non-marketable and restricted equity securities and derivative instruments.

Carrying Amount and Fair Value

The following tables set out the carrying amount and fair value of securities in the Issuer's securities portfolio as of the dates indicated:

	As of December 31					
	2018		2019		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in billions of Won)					
Financial assets at fair value through other comprehensive income:						
Equity securities						
Stocks	₩ 1,862	₩ 1,862	₩ 1,954	₩ 1,954	₩ 2,467	₩ 2,467
Equity investments	37	37	40	40	36	36
Other equity securities	—	—	—	—	—	—
Debt securities						
Korean treasury securities and government agency securities	2,941	2,941	8,172	8,172	5,953	5,953
Debt securities issued by financial institutions	16,902	16,902	18,110	18,110	19,622	19,622
Corporate debt securities	6,971	6,971	9,219	9,219	12,832	12,832
Asset-backed securities	868	868	616	616	1,553	1,553
Others	—	—	—	—	—	—
Total financial assets at fair value through other comprehensive income	29,581	29,581	38,111	38,111	42,463	42,463

	As of December 31					
	2018		2019		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in billions of Won)					
Financial assets at amortized cost:						
Debt securities						
Korean treasury securities and government agency securities	545	582	539	577	2,182	2,206
Debt securities issued by financial institutions	6,246	6,194	7,608	7,617	5,189	5,196
Corporate debt securities	1,413	1,434	1,754	1,771	2,593	2,590
Asset-backed securities	4,590	4,614	4,065	4,092	5,596	5,633
Others	—	—	—	—	30	30
Allowance	(1)	—	(1)	—	—	—
Total financial assets at amortized cost	12,793	12,824	13,965	14,056	15,590	15,655
Financial assets at fair value through profit or loss						
Equity securities						
Stocks	83	83	152	152	206	206
Other equity securities	—	—	—	—	—	—
Debt securities						
Korean treasury securities and government agency securities	1,949	1,949	1,974	1,974	3,131	3,131
Debt securities issued by financial institutions	4,934	4,934	6,368	6,368	6,885	6,885
Corporate debt securities	1,897	1,897	1,773	1,773	1,717	1,717
Asset-backed securities	60	60	100	100	211	211
Puttable instruments (investment funds, etc.)	2,341	2,341	2,283	2,283	3,000	3,000
Derivative linked securities	126	126	161	161	85	85
Others	576	576	788	788	679	679
Others	79	79	80	80	90	90
Total financial assets held for trading/at fair value through profit or loss	12,044	12,044	13,678	13,678	16,004	16,004
Total securities	₩54,418	₩54,450	₩65,754	₩65,845	₩ 74,057	₩74,122

Maturity Analysis

For information regarding the scheduled maturities of the Issuer's securities portfolio and other financial assets as of December 31, 2020, see Note 4.3.3 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular.

Concentrations of Risk

As of December 31, 2020, the Issuer held the following securities of individual issuers where the aggregate carrying amount of those securities exceeded 10% of the Issuer's total equity at such date. As of December 31, 2020, the Issuer's total equity was ₩30,143 billion.

	Carrying Amount	Fair Value
	(in billions of Won)	
Name of issuer:		
The Government	₩ 9,699	₩ 9,723
The Korea Development Bank	9,142	9,144
Korea Housing Finance Corporation	7,706	7,742
The BOK	7,181	7,181
The Industrial Bank of Korea	5,094	5,095
Total	₩38,822	₩38,885

Korea Housing Finance Corporation is owned by the Government and the BOK, and the Korea Development Bank is owned by the Government. The BOK is controlled by the Government.

Funding

The Issuer obtains funding for its lending activities from a variety of sources, both domestic and foreign. The Issuer's principal source of funding is customer deposits. In addition, the Issuer acquires funding through long-term borrowings (comprising debentures and debts), short-term borrowings, including borrowings from the BOK, and call money.

The Issuer's primary funding strategy has been to achieve low-cost funding by increasing the average balances of low-cost retail deposits, in particular demand deposits and time deposits. The Issuer also has focused its marketing efforts on higher net worth individuals, who account for a significant portion of the assets in its retail deposit base.

The Issuer's borrowings consist of issuances of debentures and debt from financial institutions, the Government and government-affiliated funds. The majority of the Issuer's debt is long-term, with maturities ranging from one year to 30 years.

Deposits

Although the majority of the Issuer's deposits are short-term, it has been the Issuer's experience that the majority of the Issuer's depositors generally roll over their deposits at maturity, providing the Issuer with a stable source of funding.

The following table shows the average balances of the Issuer's deposits and the average rates paid on such deposits for the periods indicated:

	For the years ended December 31,					
	2018		2019		2020	
	Average Balance(1)	Average Rate Paid	Average Balance(1)	Average Rate Paid	Average Balance(1)	Average Rate Paid
	(in billions of Won, except percentages)					
Demand deposits:						
Non-interest-bearing	₩ 4,061	—	₩ 3,987	—	₩ 4,565	—
Interest-bearing	114,056	0.29%	118,621	0.29%	143,203	0.17%
Time deposits	140,590	1.87%	155,070	1.94%	165,435	1.57%
Certificates of deposit	3,090	1.88%	4,818	1.93%	3,636	1.38%
Average total deposits	₩261,797	1.15%	₩282,496	1.22%	₩316,839	0.91%

Note:
(1) Average balances are based on daily balances.

For a description of the Issuer's retail deposit products, see *"Business—Retail Banking—Deposit-taking Activities."*

Time Deposits and Certificates of Deposit

The following table presents the remaining maturities of the Issuer's time deposits and certificates of deposit which had a fixed maturity in excess of ₩100 million as of December 31, 2020:

	Time Deposits	Certificates of Deposit	Total
	(in billions of Won)		
Maturing within three months	₩30,484	₩ 518	₩31,002
After three but within six months	20,766	510	21,276
After six but within 12 months	40,461	1,425	41,886
After 12 months	3,031	—	3,031
Total	₩94,742	₩2,453	₩97,195

Long-Term Borrowings

The aggregate amount of contractual maturities of all long-term borrowings (comprising debentures and debt) of the Issuer as of December 31, 2020 was as follows:

	As of December 31, 2020
	(in billions of Won)
Due in the year ended December 31, 2021	₩ 9,812
Due in the year ended December 31, 2022	7,381
Due in the year ended December 31, 2023	4,419
Due in the year ended December 31, 2024	2,901
Due in the year ended December 31, 2025	2,158
Thereafter	4,574
Gross long-term borrowings	31,245
Fair value adjustments	64
Deferred financing costs	—
Discount	(27)
Total long-term borrowings, net	₩31,282

Short-Term Borrowings

The following table presents information regarding the Issuer's short-term borrowings (borrowings with an original maturity of one year or less) for the periods indicated:

	As of and for the year ended December 31,		
	2018	2019	2020
	(in billions of Won, except percentages)		
Call money:			
Year-end balance	₩ 362	₩ 268	₩ 890
Average balance(1)	1,780	1,419	2,594
Maximum balance(2)	3,096	3,541	3,363
Average interest rate(3)	1.85%	1.84%	0.77%
Year-end interest rate	2.42-4.70%	2.91-4.30%	0.48-4.30%
Borrowings from the BOK:(4)			
Year-end balance	1,673	2,650	6,463
Average balance(1)	1,766	2,002	4,488
Maximum balance(2)	1,868	2,650	6,463
Average interest rate(3)	0.70%	0.66%	0.30%
Year-end interest rate	0.50-0.75%	0.50-0.75%	0.25%

	As of and for the year ended December 31,		
	2018	2019	2020
	(in billions of Won, except percentages)		
Other short-term borrowings:(5)			
Year-end balance	₩ 10,149	₩ 27,461	₩ 38,055
Average balance(1)	9,267	25,962	35,254
Maximum balance(2)	12,341	29,133	40,863
Average interest rate(3)	1.58%	1.80%	1.35%
Year-end interest rate	0.00-3.94%	0.00-5.55%	0.00-8.84%

Note:

(1) Average balances are based on daily balances.

(2) Maximum balances are based on month-end balances.

(3) Average interest rates for the year are calculated by dividing the total interest expense by the average amount borrowed.

(4) Borrowings from the BOK generally mature within one month for borrowings in Won and six months for borrowings in foreign currencies. These short-term borrowings were secured by securities totalling ₩7,133 billion as of December 31, 2020.

(5) Other short-term borrowings include securities sold under repurchase agreements, bills sold, borrowings and debentures. Other short-term borrowings have maturities of one year or less. Securities sold under repurchase agreements were secured by securities totalling ₩1,390 billion as of December 31, 2020.

RISK MANAGEMENT

Overview

As a financial services provider, the Issuer is exposed to various risks related to its lending and trading businesses, its funding activities and its operating environment. The Issuer's goal in risk management is to ensure that it identifies, measures, monitors and controls the various risks that arise, and that its organisation adheres strictly to the policies and procedures which it has established to address these risks. Under the Issuer's internal regulations pertaining to its capital adequacy ratio and internal standards for risk appetite and internal capital under Basel III, the Issuer identifies the following eight separate categories of risk inherent in its business activities: credit risk, market risk, operational risk, interest rate risk, liquidity risk, credit concentration risk, reputation risk and strategic risk. Of these, the principal risks to which the Issuer is exposed are credit risk, market risk, liquidity risk and operational risk, and it strives to manage these and other risks within acceptable limits.

Organisation

The Issuer delegates risk management authority to its Risk Management Committee. The Risk Management Committee measures and monitors the various risks faced by the Issuer and reports to the Issuer's board of directors regarding decisions that it makes on risk management issues. The Risk Management Committee also makes certain strategic risk-related decisions regarding the operations of the Issuer, such as allocating credit risk limits, setting total exposure limits and market risk-related limits and determining which market risk derivatives instruments the Issuer can trade. The major activities of the Risk Management Committee include:

- determining and monitoring risk policies, guidelines, limits and tolerance levels and the level of risk in accordance with group policy established by KB Financial Group;
- reviewing and analysing the Issuer's risk profile;
- setting limits for and adjusting the risk capital allocation plan and risk levels for each business unit within the Issuer; and
- monitoring compliance with the group-wide risk management policies and practices at the business unit and entity level.

The Risk Management Committee is supported by the Risk Management Council, which serves as the executive decision making body for the Issuer's risk management operations. At the operational level, the Issuer's Risk Management Department and the Credit Group work closely with its business groups to implement risk management strategies, policies and procedures in accordance with the policies set forth by KB Financial Group's Group Risk Management Committee and the risk management strategies determined by the Issuer's Risk Management Committee.

Credit Risk Management

Credit risk is the risk of expected and unexpected losses in the event of borrower or counterparty defaults. Credit risk management aims to improve asset quality and generate stable profits while reducing risk through diversified and balanced loan portfolios. The Issuer determines the creditworthiness of each type of borrower or counterparty through reviews conducted by its credit experts and through its credit rating systems, and the Issuer sets a credit limit for each borrower or counterparty.

The Issuer assesses and manages all credit exposures. The Issuer measures expected losses and economic capital on assets (whether on- or off-balance sheet) that are subject to credit risk management and uses expected losses and economic capital as management indicators. The Issuer manages credit risk by allocating credit risk economic capital limits. In addition, the Issuer controls credit concentration risk exposure by applying and managing total exposure limits to prevent excessive risk concentration to particular industries or borrowers. Credit exposures that the Issuer assesses and manages include loans to borrowers and counterparties, investments in securities, letters of credit, bankers' acceptances, derivatives and commitments. The Issuer's risk appetite, which is the ratio of its required economic capital to its estimated available book capital, is approved by KB Financial Group's Group Risk Management

Committee once a year. Thereafter, the Issuer calculates economic capital every month for each business group and bank-wide based on attributed economic capital in accordance with the risk appetite as approved by the Group Risk Management Committee. The Issuer measures and reports profiles of credit risk on a bank-wide level and by business group regularly to relevant business groups and senior management, including the Risk Management Council and the Risk Management Committee.

The Issuer uses expected default rates and recovery rates to determine the expected loss rate of a borrower or counterparty. The Issuer uses the expected loss rate to make credit related decisions, including pricing, loan approval and establishment of standards to be followed at each level of decision making. These rates are calculated using information gathered from its internal database. With respect to large corporate borrowers, the Issuer also uses information provided by external credit rating services to calculate default rates and recovery rates.

The Issuer's credit risk management processes include:

- establishing credit policy;
- credit evaluation and approval;
- industry assessment;
- total exposure management;
- collateral evaluation and monitoring;
- credit risk assessment;
- early warning and credit review; and
- post-credit extension monitoring.

Credit Evaluation

With respect to corporate loans, the Issuer evaluates the ability of all loan applicants to repay their debts before it approves any loans, except for loans fully guaranteed by letters of guarantee issued by the Credit Guarantee Fund and the Korea Technology Credit Guarantee Fund, for loans fully secured by deposits and for other loans similarly guaranteed or secured. The Issuer assigns each borrower or guarantor a credit rating based on the judgment of its experts or scores calculated using the appropriate credit rating system. Factors that the Issuer considers in assigning credit ratings include both financial factors and non-financial factors, such as its perception of the borrower's ability to meet its payment obligations, risks relating to the industry in which the borrower operates, management and operational risks relating to the borrower, the borrower's financial flexibility and the borrower's level of reliability based on its transaction history. With respect to retail loans, the Issuer assigns credit ratings based on its internal information regarding the borrower that has been accumulated as well as external information gathered from credit bureaus relating to various criteria, such as the borrower's profession, annual income, credit card overdue information and transaction history involving both the Issuer and other financial institutions. The credit rating process differs according to the type, size and characteristics of the borrower.

The Issuer uses its internally developed credit rating systems to rate potential borrowers. As the characteristics of each customer segment differ, the Issuer uses several credit rating systems for its customers. The nature of the credit rating system used for a particular borrower depends on whether the borrower is an individual, SOHO, SME or large company. For large companies and SMEs, the Issuer has 17 credit ratings ranging from AAA to D. For retail customers, the Issuer has 13 credit ratings ranging from grade 1 to grade 13.

Based on the credit rating of a borrower, the Issuer applies different credit policies, which affect factors such as credit limit, loan period, loan pricing, loan classification and provisioning. The Issuer also uses these credit ratings in evaluating its bank-wide risk management strategy. Factors the Issuer considers in making this evaluation include the profitability of each company or transaction, performance of each business unit and portfolio management. The Issuer monitors the credit status of borrowers and collects information to adjust its ratings appropriately. If the Issuer changes a borrower's credit rating, the Issuer will also change the credit policies relating to that borrower and it may also change the policies underlying its loan portfolio.

Retail Loan Approval Process

Mortgage Loans and Secured Retail Loans

The Issuer's processing centre staff reviews mortgage loans and retail loans secured by real estate or guarantees. Branch staff employees forward loan applications to processing centres. However, in the case of loans secured by deposits with the Issuer, its branch staff approves such loans. The Issuer makes lending decisions based on its assessment of the value of the collateral, debt service capability and the borrower's score generated from its credit scoring systems.

For mortgage loans and loans secured by real estate, the Issuer evaluates the value of the real estate offered as collateral using a database the Issuer has developed that contains information about real estate values throughout Korea. The Issuer also uses information from a third party provider about the real estate market in Korea, which gives the Issuer up-to-date market value information for Korean real estate. In addition, the Issuer's processing centre staff employees review the value of real estate provided by the evaluation system to ensure there are no significant discrepancies. The Issuer bases decisions regarding the approval of such loans primarily on the results of its credit scoring systems.

For loans secured by deposits, the Issuer will generally grant loans up to 95% of the deposit amount if the Issuer holds the deposit.

The Issuer generally decides whether to evaluate a loan application within three to five days after recording the relevant information in its credit scoring systems.

Unsecured Retail Loans

The Issuer reviews applications for unsecured retail loans in accordance with its credit scoring systems. These automated systems evaluate loan applications and determine an appropriate pricing for the loan. The major benefits of using a credit scoring system are that it yields uniform results regardless of the user, that it can be used effectively by employees who do not necessarily have extensive experience in credit evaluation and that it can be updated easily to reflect changing market conditions by adjusting how each factor is weighted. The staff at the Issuer's processing centres reviews the results of the credit scoring system based on information input by its branch staff and, if approved, issues the loan.

The Issuer's credit scoring systems take into account factors including borrower's income, assets, profession, age, transaction history (with both the Issuer and other financial institutions) and other relevant credit information. The systems rank each borrower in an appropriate grade and that grade is used as a factor in deciding whether to approve loans as well as to determine loan amounts.

The Issuer generally bases its decisions on the results of its credit scoring systems to evaluate applications. However, a credit officer may overturn the results of the Issuer's credit scoring systems in certain circumstances.

Corporate Loan Approval Process

The Issuer approves corporate loans at different levels of its organisation depending on the size and type of the loan, the credit risk level assessed by the credit rating system, whether the loan is secured by collateral and, if secured, the value of the collateral. The lowest level of authority is the branch staff employee, who can approve small loans and loans that have the lowest range of credit risk. Larger loans and loans with higher credit risk are approved by higher levels of authority depending on where they fall in a matrix of loan size and credit risk. Depending on the size and terms of any particular loan or the credit risk relating to a particular borrower, more than one entity may review the application, although generally loan applications are reviewed only by the entity having corresponding authority to approve the loan.

The Issuer evaluates all of its corporate borrowers by using credit rating systems, except for applicants whose borrowings are fully secured by deposits or applicants who have obtained third-party guarantees from the Government or certain other very highly rated guarantors. See "—*Credit Evaluation*" above.

For owner-operated enterprises (which the Issuer refers to as SOHOs), the Issuer has put in place a credit rating system known as Small Office Home Office Corporate Rating System ("SOHO CRS"). For other small- and medium-sized enterprises, the Issuer has put in place a similar credit rating system known as Corporate Rating System ("CRS"). For large corporations, the Issuer has put in place a similar credit rating system known as Large Corporate Rating System ("LCRS"). For financial institutions, certain non-profit organizations and public institutions, the Issuer has put in place a credit rating system known as Financial Institute, Non-profit, Public Corporate Rating System ("FNP CRS"). The SOHO CRS, the CRS, the LCRS and the FNP CRS models consist of the following four parts:

- *Financial Model*. The financial model uses financial ratios such as stability ratio, profitability ratio and cash flow ratio to make credit determinations.
- *Non-financial Model*. The non-financial model uses various qualitative and quantitative factors, such as future repayment capability, industry-related risks, management-related risks and operation-related risks, to evaluate borrowers.
- *CEO Evaluation Model*. The CEO evolution model is relevant for the SOHO CRS in particular, and evaluates the credit information of the individual owner of SOHOs by reviewing such owner's personal information, bank transaction records and external credit ratings.
- *Default Signal Check Model*. The default signal check model checks factors that have low frequency of occurrence but are highly likely to lead to a default in the event of an occurrence. The results of the default signal check model may be used to cap a borrower's credit grade.

Total Exposure Management

The Issuer establishes and manages total exposure limits for industries, *chaebols* and corporations, as well as certain SMEs, in order to efficiently manage financial assets and to optimize the Issuer's credit portfolio. The Issuer establishes total exposure limits for (i) main debtor groups designated by the FSS, (ii) groups to which the Issuer has total exposure of ₩50 billion or more, (iii) enterprises that belong to a main debtor group or large enterprises, in both cases to which the Issuer has total exposure of ₩40 billion or more, (iv) SMEs to which the Issuer has total exposure of ₩30 billion or more and (v) other groups or individual enterprises designated by the head of the Issuer's Risk Management Group as necessary. The Issuer establishes total exposure limits by reviewing factors such as industry, size, cash flows, financial ratios and credit ratings, while establishing exposure limits for industries by reviewing the sales growth rate and risk concentration for each industry. These total exposure limits are set following approval by the Issuer's Risk Management Council after review by the Credit Risk Management Subcommittee.

The Issuer's maximum exposure limit is within 25% of its Tier I and Tier II capital for a single *chaebol*, and within 10% of its Tier I and Tier II capital for an individual large corporation.

The Issuer manages and controls exposure limits on a daily basis. The principal system that the Issuer uses for this purpose is the Total Exposure Management System. This system allows the Issuer to monitor and control its total exposure to large corporations, *chaebols* and industries. The Issuer monitors its exposure to large corporations to which the Issuer has an exposure of ₩40 billion or more, individual corporations to which the Issuer has an exposure of ₩30 billion or more, and also its exposure to the 139 business groups, which comprise the 28 largest highly-indebted business groups among *chaebols* in Korea designated as such by the FSS based on their outstanding exposures as well as 111 business groups to which it has exposures (in the form of securities or loans) of ₩50 billion or more. The Issuer also monitors its exposure to 37 industries. The Issuer's Total Exposure Management System integrates all of its credit-related risk including credit extended by its overseas branches and affiliates. The assets subject to the system include all Won-denominated and foreign currency-denominated loans, all assets in trust accounts except specified money trusts, guarantees, trade-related credits, commercial paper, corporate bonds and other securities and derivatives.

Collateral Evaluation and Monitoring System

The Issuer uses the Collateral Evaluation and Monitoring System to manage the liquidation value of collateral it holds. The Collateral Evaluation and Monitoring System is a computerised collateral management system that can be accessed from its headquarters and its branches. Using this system, the Issuer can more accurately assess the actual liquidation value of collateral, determine the recovery rate on its loans and use this information in setting the Issuer's credit risk management and loan policies. The Issuer can monitor the value of all the collateral a borrower provides and the value of that collateral based on its liquidation value. When appraising the value of real estate collateral, which makes up the largest part of the Issuer's collateral, the Issuer consults a regularly updated database provided by a third party that tracks the prices at which various types of real estate in various regions of Korea are sold. The Issuer appraises the value of collateral when it makes a loan, when the loan is due for renewal and when events occur that may change the value of the collateral.

Credit Risk Management and Monitoring

The Issuer's Credit Risk Department manages and regulates the Issuer's loan portfolio policies. The Credit Risk Department also analyses and monitors the Issuer's loan portfolios and monitors the Issuer's compliance with the applicable limits for credit risk. Moreover, the Credit Risk Department separately manages high-risk products, such as real estate project financing loans and over-the-counter derivative products, by setting appropriate limits.

Credit Review

The Issuer's credit review function is independent of the business groups which manage its assets. The Issuer's Credit Review Department:

- reviews the Issuer's internal credit regulations, policies and systems;
- analyses the credit status of selected loan assets and verifies the appropriateness of the credit evaluations/approvals made by branches and headquarters; and
- evaluates the corporate credit risk of potentially insolvent companies.

More specifically, the Credit Review Department continuously reviews the financial condition of selected borrowers with respect to their current debt, collateral, business, transactions with related parties and debt service capability. Based on its review, the Issuer may adjust the borrower's credit rating, its lending policy or asset quality classification of the loan provided to the borrower, depending on the applicable circumstances. The Issuer also regularly reviews other aspects of the lending process, including industries and regions in which its borrowers operate and the quality of its domestic and overseas assets. The Issuer's industry reviews focus on growth, stability, competition and ability to adapt to a changing environment. Based on the results of a particular industry review, the Issuer may revise the total exposure limit assigned to that industry and the lending policy for each company within that industry. When a review takes place, the Issuer may adjust not only the credit ratings of its borrowers based on a variety of factors, but also asset quality classification, credit limits and its credit policies. Credit review results are reported to the Issuer's chief risk officer and the Risk Management Committee on a quarterly basis.

The Credit Review Department also conducts on-site reviews of selected branches and related credit analysis centres which are experiencing increasing delinquency ratios and bad debts. During these visits, the loan processes are examined and improvement plans and appropriate follow-up measures are recommended.

Also, based on guidelines provided by the FSS to all Korean banks, the Issuer operates a corporate credit risk assessment program to facilitate the identification of weak companies and possible commencement of corporate restructuring. Through this program, the Issuer, together with other banks, is able to detect symptoms of financially troubled companies at an early stage, assess related credit risk and support the normalisation of companies that are likely to turnaround through a workout process, or seek to liquidate those companies that are not likely to recover.

The Credit Review Department also analyses issues related to credit risk and provides information necessary for the formulation of effective credit policies and strategies and for effective credit risk management.

Market Risk Management

The major risk to which the Issuer is exposed is interest rate risk on debt instruments and interest-bearing securities and, to a lesser extent, stock price risk and foreign exchange risk. The financial instruments that expose the Issuer to these risks are securities and financial derivatives. The Issuer is also exposed to interest rate risk and liquidity risk in its banking book. The Issuer divides market risk into risks arising from trading activities and risks arising from non-trading activities.

The Issuer's Risk Management Council establishes overall market risk management principles. It has delegated the responsibility for the market risk management for trading activities to the Market Risk Management Subcommittee, which is chaired by its chief risk officer. This subcommittee meets on a regular basis each month and as required to respond to developments in the market and the economy. Based on the policies approved by the Risk Management Council, the Market Risk Management Subcommittee reviews and approves reports as required that include trading profits and losses, position reports, limit utilisation, sensitivity analysis and value at risk ("VaR") analysis results for the Issuer's trading activities.

The Risk Management Council is responsible for interest rate and liquidity risk management of non-trading activities. It meets on a regular basis and as required to respond to developments in the market and the economy. Members of the Risk Management Council, acting through the Issuer's Risk Management Department, review the Issuer's interest rate and liquidity gap position monthly, as well as the business profile and its impact on asset and liability management.

To ensure adequate interest rate and liquidity risk management, the Issuer has assigned the responsibilities for its asset and liability risk management to its Risk Management Department in its Risk Management Group, which monitors and reviews the asset and liability operating procedures and activities of its Financial Planning Department and Asset and Liability Risk Management Department, and independently reports to the management on the related issues.

Market Risk Management for Trading Activities

The Issuer's trading activities consist of:

- trading activities for its own account to realise short-term trading profits in Won-denominated debt and equities markets and foreign exchange markets based on the Issuer's short-term forecast of changes in the market situation; and
- trading activities involving derivatives, such as swaps, forwards, futures and option transactions, to realise profits primarily from selling derivative products to the Issuer's customers and to hedge market risk incurred from those activities.

The Issuer uses derivative instruments to hedge its market risk and, to a limited extent, to make profits by trading derivative products within acceptable risk limits. The principal objective of its hedging strategy is to manage the Issuer's market risk within established limits. The Issuer uses the following hedging instruments to manage relevant risks:

- to hedge interest rate risk arising from its trading activities, the Trading/Capital Markets Department occasionally uses interest rate futures (Korea Treasury Bond Futures) and interest rate swaps;
- to hedge stock price risk arising from its trading activities, the Trading/Capital Markets Department selectively uses stock index futures;
- to hedge interest rate risk and foreign exchange risk arising from its foreign currency-denominated asset and liability positions as well as its trading activities, the Treasury Unit within the Capital Markets Department use interest rate swaps, cross-currency interest rate swaps, foreign exchange forwards and futures, Euro-dollar futures and currency options; and
- to change the interest rate characteristics of certain assets and liabilities after the original investment or funding, the Issuer uses swaps. For example, depending on the market situation, the Issuer may choose to obtain fixed rate funding instead of floating rate funding if it believes that the terms are more favourable, which the Issuer can achieve by entering into interest rate swaps.

The Issuer generally manages its market risk at the portfolio level. To control its exposure to market risk, the Issuer uses internal capital limits set by its Risk Management Council for itself and its groups and departments, VaR, position and stop loss limits set by the Risk Management Council for itself and its groups, and VaR, position, stop loss and sensitivity limits (PVBP, Delta, Gamma, Vega) set by the Issuer's Market Risk Management Subcommittee for its departments. The Issuer prepared its risk control and management guidelines for derivative trading based on the regulations and guidelines promulgated by the FSS.

In addition, the Issuer has implemented internal processes which include a number of key controls designed to ensure that fair value is measured appropriately, particularly where a fair value model is internally developed and used to price a significant product. See Notes 3.3 and 6 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular. For example, each year the Risk Management Department reviews the existing pricing and valuation models, with a focus on their underlying modelling assumptions and restrictions, to assess the appropriateness of their continued use. In consultation with the Trading Department, the Risk Management Department recommends potential valuation models to the Fair Value Evaluation Committee. Upon approval by the Fair Value Evaluation Committee, the selected valuation models are reported to the Market Risk Management Subcommittee.

The Issuer monitors market risk arising from trading activities of its business groups and departments. The market risk measurement model the Issuer uses for both its Won-denominated trading operations and foreign currency-denominated trading operations is implemented through its integrated market risk management system, called Adaptiv, which enables the Issuer to generate consistent VaR numbers for all trading activities.

VaR analysis. The Issuer uses VaR to measure market risk. VaR is a statistically estimated maximum amount of loss that could occur over a given period of time at a given level of confidence. VaR is a commonly used market risk management technique. However, this approach does have some shortcomings. VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, as there may be conditions and circumstances in the future that the model does not anticipate. As a result, the timing and magnitude of the actual losses can be different depending on the assumptions made at the time of calculation. In addition, the time periods used for the model, generally one or ten days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or are too long, the VaR results may understate or overstate the potential loss. Different VaR methodologies and distributional assumptions could produce a materially different VaR. VaR is most appropriate as a risk measure for trading positions in liquid capital markets and will understate the risk associated with severe events, such as a period of extreme illiquidity.

The Issuer uses a 99% single tail confidence level to measure VaR, which means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. Until 2011, the Issuer used the "variance-covariance method" or parametric VaR ("PVaR") methodology to measure its daily VaR, which took into account the diversification effects among different risk categories as well as within the same risk category. In 2012, the Issuer received authorisation from the FSC to use a historical simulation VaR ("HSVaR") methodology, which the Issuer believes to be more accurate and responsive in reflecting market volatilities, to measure market risk. The Issuer's ten-day HSVaR method, which is computed using a full valuation and is computationally intensive, uses an archive of historical price data and the VaR for a portfolio is estimated by creating a hypothetical time series of returns on that portfolio, obtained by running the portfolio through actual ten-day historical data and computing the changes that would have occurred in each ten-day period.

The following table shows the volume and types of positions held by the Issuer for which the VaR method is used to measure market risk as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	(in millions of Won)		
Securities – Bond[(1)]	₩9,167,080	₩10,615,199	₩10,168,932
Securities – Equity[(1)]	42,943	106,321	72,317
Spot exchanges[(2)]	3,496,671	3,963,814	3,875,863
Derivatives[(3)]	3,364,318	4,564,306	8,994,807
Total	₩16,071,012	₩19,249,640	₩23,111,919

Note:

(1) Represents amounts marked to market and as shown on the balance sheet information that is prepared and submitted to the FSS for risk management purposes.

(2) Represents the overall net open currency position in each currency, which is the greater of (i) the sum of the absolute value of all short positions and (ii) the sum of the absolute value of all long positions.

(3) For over the counter derivatives, represents the absolute value of over the counter derivatives measured at fair value at year end. For exchange traded derivatives, includes the amount of deposits and the collateral posted for such derivatives.

The following table shows the Issuer's ten-day HSVaRs (at a 99% confidence level for a ten-day holding period) as of the dates indicated for interest risk, stock price risk and foreign exchange risk relating to the Issuer's trading activities. The following figures were calculated on a consolidated basis.

	As of December 31,		
	2018	2019	2020
	(in billions of Won)		
Risk Categories:			
Interest risk	₩ 7.1	₩ 16.6	₩ 50.8
Stock price risk	3.3	3.9	24.8
Foreign exchange risk	16.4	13.1	49.3
Less: diversification	(11.9)	(13.2)	(7.3)
Diversified VaR for overall trading activities	₩ 14.9	₩ 20.4	₩117.6

In 2020, the average, high, low and ending amounts of ten-day HSVaR (at a 99% confidence level for a ten-day holding period) for the Issuer relating to its trading activities were as follows:

	Trading activities VaR for 2020			
	Average	Minimum	Maximum	As of December 31, 2020
	(in billions of Won)			
Interest risk	₩ 59.3	₩ 9.6	₩106.0	₩ 50.8
Stock price risk	15.2	3.8	24.3	24.8
Foreign exchange risk	36.1	5.3	67.8	49.3
Less: diversification				(7.3)
Diversified VaR for overall trading activities	₩105.4	₩14.2	₩158.8	₩117.6

In 2019, the average, high, low and ending amounts of ten-day HSVaR (at a 99% confidence level for a ten-day holding period) for the Issuer relating to its trading activities were as follows:

	Trading activities VaR for 2019			
	Average	Minimum	Maximum	As of December 31, 2020
	(in billions of Won)			
Interest risk	₩11.2	₩ 1.7	₩20.5	₩ 16.6
Stock price risk	3.4	2.4	4.3	3.9
Foreign exchange risk	15.8	11.4	20.7	13.1
Less: diversification				(13.2)
Diversified VaR for overall trading activities	₩17.5	₩13.6	₩24.8	₩ 20.4

In 2018, the average, high, low and ending amounts of ten-day HSVaR (at a 99% confidence level for a ten-day holding period) for the Issuer relating to its trading activities were as follows:

	Trading activities VaR for 2018			
	Average	Minimum	Maximum	As of December 31, 2018
	(in billions of Won)			
Interest risk	₩12.5	₩ 6.0	₩18.7	₩ 7.1
Stock price risk	3.0	1.3	4.8	3.3
Foreign exchange risk	9.4	5.0	16.5	16.4
Less: diversification				(11.9)
Diversified VaR for overall trading activities	₩16.2	₩11.7	₩23.1	₩ 14.9

Standardised Method. Market risk for positions not measured by VaR are measured using the standardised method for measuring market risk-based required equity capital specified by the FSS, which takes into account certain risk factors. Under the standardised method, the required equity capital is measured using the risk-weighted values for each risk factor. The method used to measure the market risk-based required equity capital for each risk factor is as follows:

- Interest rate risk:
  - General market risk: General market risk relates to the risk of losses from macroscopic events which could have an impact on interest rates, stock prices, exchange rates, and market prices of general commodities. General market interest rate risk of a debt security is calculated on its net position, taking into consideration the remaining maturity and coupon rate.
  - Specific risk: Specific risk relates to the risk of loss from changes in credit risk of issuers of debt securities or equities, excluding changes in general market prices. Specific interest rate risk of a debt security is measured by multiplying the interest rate position appraised, based on the market price of such security, by the risk-weighted value applicable to the type of debt security, credit rating and the remaining maturity.
- Equity risk: General and specific equity risks are calculated by multiplying the bought or sold position by the relevant risk-weighted values.
- Foreign exchange risk: Foreign exchange risk is measured by multiplying the larger of the absolute values among the net bought or sold positions of each currency by the relevant risk-weighted values.
- Option risk: Option risk is measured using the delta, gamma and vega of the option.

The standardised method is used to measure the market risk of the positions for which the FSS has not approved the use of the VaR method. In addition, the Issuer uses the standardised method for positions which are held by certain subsidiaries or for which measuring VaR is difficult due to the lack of daily position data.

The following table shows the volume and types of instruments held by the Issuer for which the standardised method is used to measure its required equity capital as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	(in millions of Won)		
Swaps and foreign exchange positions[1]	₩ 24,366	₩ 30,864	₩217,007
Derivative-linked securities[2]	126,416	160,576	85,021
Debt-equity swap stock put options[3]	0	0	364
Total	₩150,783	₩191,440	₩302,392

Notes:

(1) Includes the Issuer's overseas consolidated subsidiaries' currency positions and their positions for foreign exchange swaps, total return swaps held by special purpose vehicles and structured rate swaps, which cannot be measured through the use of its internal models.

(2) Amounts as of December 31, 2018, 2019 and 2020 represent the value of derivative-linked securities held by the trust accounts of the Issuer subject to consolidation, for which the standardized method is used to measure the Issuer's required equity capital.

(3) Reflects the value of the Issuer's debt-equity swap stock put options in purchase agreements, which cannot be measured through the use of its internal models.

The following table shows the Issuer's required equity capital measured using the standardised method as of the dates indicated.

	As of December 31,		
	2018[1]	2019[1]	2020[1]
	(in millions of Won)		
Risk categories:			
Interest risk	₩112,153	₩83,731	₩40,290
Stock price risk	19,756	1,953	7,088
Foreign exchange risk	1,338	1,850	23,938
Total	₩133,248	₩87,535	₩71,316

Note:

(1) In 2015, the Issuer received approval from the FSS to use its internal VaR model, in lieu of the standardised method, to measure the market risk of certain instruments held by the Issuer, including 30-year government bonds held by the Issuer, as well as positions held by certain subsidiaries of the Issuer, including Kookmin Bank (China) Ltd.

Back Testing. The Issuer conducts back testing on a daily basis to validate the adequacy of its market risk model. In back testing, the Issuer compares both the actual and hypothetical profit and loss with the VaR calculations and analyses any results that fall outside its predetermined confidence interval of 99%.

Stress testing. In addition to VaR, which assumes normal market situations, the Issuer uses stress testing to assess its market risk exposure to abnormal market fluctuations. Abnormal market fluctuations include significant declines in the stock market and significant increases in the general level of interest rates. This is an important way to supplement VaR, as VaR is a statistical expression of possible loss under a given confidence level and holding period. It does not cover potential loss if the market moves in a manner that is outside the Issuer's normal expectations. Stress testing projects the anticipated change in value of holding positions under certain scenarios assuming that no action is taken during a stress event to change the risk profile of a portfolio. According to its stress testing, the Issuer estimates that as of December 31, 2020, its trading portfolio could have lost ₩381.4 billion for an assumed short-term extreme decline of approximately 33% in the equity market and an approximate 29 basis point increase in the Korean treasury bond rates under an abnormal stress environment.

The Issuer monitors the impact of market turmoil or any abnormality by conducting stress tests and confirming that the results are within the Issuer's market risk limits. If the impact is large, the Issuer's chief risk officer may request that the Issuer's portfolio be restructured or other appropriate action be taken.

Interest Risk

Interest risk from trading activities arises mainly from the Issuer's trading of Won-denominated debt securities. Its trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. As its trading accounts are marked-to-market daily, the Issuer manages the interest risk related to its trading accounts using market value-based tools such as VaR and sensitivity analysis. As of December 31, 2020, the VaR of the Issuer's interest risk from trading was ₩50.8 billion and the weighted average duration, or weighted average maturity, of its Won-denominated debt securities at fair value through profit or loss was approximately two years.

Foreign Exchange Risk

Foreign exchange risk arises because the Issuer has assets and liabilities that are denominated in currencies other than Won, as well as off-balance sheet items such as foreign exchange forwards and currency swaps. Assets and liabilities denominated in U.S. dollars, Japanese Yen, Euro and Chinese Renminbi typically account for the majority of the Issuer's foreign currency assets and liabilities.

The difference between the Issuer's foreign currency assets and liabilities is offset against forward foreign exchange positions, currency options and currency swaps to obtain its net foreign currency open position. The Risk Management Council and Market Risk Management Subcommittee oversee the Issuer's foreign exchange exposure for both trading and non-trading purposes by establishing a limit for this net foreign currency open position, together with stop loss limits. VaR limits are established on a combined basis for its domestic operations and foreign branches.

The following table shows the Issuer's separate net open positions as of the dates indicated. Positive amounts represent long positions and negative amounts represent short positions.

	As of December 31,		
	2018	2019	2020
	(in millions of US$)		
Currency:			
US$	US$(495.2)	US$(592.9)	US$(676.2)
Japanese Yen	(1.6)	(0.2)	(2.6)
Euro	(0.2)	(1.9)	4.8
Chinese Renminbi	21.9	12.8	13.9
Others	146.9	189.2	437.6
Total	US$(328.2)	US$(393.0)	US$(222.4)

Equity Price Risk

Equity price risk results from the Issuer's equity derivatives trading portfolio in Won since the Issuer does not have any trading exposure to shares denominated in foreign currencies other than foreign equity index futures.

The equity derivatives trading portfolio in Won consists of exchange-traded stocks and equity derivatives under strict limits on diversification as well as position limits and stop loss limits.

The Risk Management Council and Market Risk Management Subcommittee sets annual and monthly stop loss limits that are monitored by the Risk Management Department. In order to ensure timely action, the stop loss limit of individual securities is monitored by the Issuer's middle office.

As of December 31, 2020, the Issuer's carrying amount of equity securities was ₩206 billion.

Derivative Market Risk

The Issuer's derivative trading includes interest rate and cross-currency swaps, foreign exchange forwards, stock index and interest rate futures and currency options. These activities consist primarily of the following:

- sales of tailor-made derivative products that meet various needs of the Issuer's corporate customers and related transactions to reduce the Issuer's exposure resulting from those sales;
- taking positions in limited cases when the Issuer expects short-swing profits based on its market forecasts; and
- trading to hedge the Issuer's interest rate and foreign currency risk exposure as described above.

Market risk from trading derivatives is not significant since the Issuer's derivative trading activities are primarily driven by customer deals with very limited open trading positions.

Market Risk Management for Non-Trading Activities

Interest Rate Risk

The Issuer's principal market risk from non-trading activities is interest rate risk. Interest rate risk arises due to mismatches in the maturities or re-pricing periods of these rate-sensitive assets and liabilities. The Issuer measures interest rate risk for Won and foreign currency assets and liabilities in its bank accounts (including derivatives) and its principal guaranteed trust accounts. Most of the Issuer's interest-earning assets and interest-bearing liabilities are denominated in Won and its foreign currency-denominated assets and liabilities are mostly denominated in U.S. dollars.

The Issuer's principal interest rate risk management objectives are to generate stable net interest revenues and to protect its asset value against interest rate fluctuations. The Issuer principally manages this risk for its non-trading activities by analysing and managing maturity and duration gaps between its interest-earning assets and interest-bearing liabilities. In addition, the Issuer uses hedging instruments for interest rate risk management for its non-trading assets and liabilities.

Interest rate gap analysis measures expected changes in net interest revenues by calculating the difference in the amounts of interest-earning assets and interest-bearing liabilities at each maturity and interest resetting date. The Issuer performs interest rate gap analysis for Won-denominated and foreign currency-denominated assets and trust assets on a monthly basis or more frequently when deemed necessary.

Interest Rate Gap Analysis. The Issuer performs interest rate gap analysis based on interest rate re-pricing maturities of assets and liabilities. However, for some of the Issuer's assets and liabilities with either no maturities or unique characteristics, the Issuer uses or assumes certain maturities, including the following examples:

With respect to asset maturities, the Issuer assumes remaining maturities of prime rate-linked loans with remaining maturities of over one year to be one year and uses the actual maturities for prime rate-linked loans with remaining maturities of less than one year.

With respect to liability maturities, the Issuer differentiates "non-core" and "core" demand deposits using the last 36 months' average balance of demand deposits. The Issuer assumes "non-core" demand deposits to have remaining maturities of one month or less and "core" demand deposits to have remaining maturities between one month and five years.

The following table shows the Issuer's consolidated interest rate gap for Won-denominated accounts and foreign currency-denominated accounts as of December 31, 2020:

	As of December 31, 2020					
	0-3 Months	3-6 Months	6-12 Months	1-3 Years	Over 3 Years	Total
	(in billions of Won, except percentages)					
Won-denominated Interest-earning assets:						
Loans	₩ 96,847	₩73,131	₩66,420	₩30,106	₩28,588	₩295,092
Securities	7,435	2,944	6,780	24,411	12,375	53,945
Others	5,502	153	103	94	0	5,852
Total	₩109,784	₩76,228	₩73,303	₩54,611	₩40,963	₩354,889
Interest-bearing liabilities:						
Deposits	₩119,011	₩35,676	₩65,337	₩45,911	₩37,300	₩303,235
Borrowings	14,298	0	0	142	0	14,440
Others	13,513	1,872	3,450	6,659	3,480	28,974
Total	₩146,822	₩37,548	₩68,787	₩52,712	₩40,780	₩346,649
Sensitivity gap	(37,038)	38,680	4,516	1,899	183	8,240
Cumulative gap	(37,038)	1,642	6,158	8,057	8,240	
% of total assets	(10.4)%	0.5%	1.7%	2.3%	2.3%	
Foreign currency-denominated Interest-earning assets:						
Due from banks	₩ 5,478	₩ 6	₩ 103	₩ 0	₩ 0	₩ 5,587
Loans	15,533	2,997	2,841	1,935	3,196	26,502
Securities	3,740	255	152	881	1,101	6,129
Total	₩ 24,751	₩ 3,258	₩ 3,096	₩ 2,816	₩ 4,297	₩ 38,218
Interest-bearing liabilities:						
Deposits	₩ 12,857	₩ 2,675	₩ 2,923	₩ 2,790	₩ 2,639	₩ 23,884
Borrowings	10,107	2,192	1,162	1,743	1,880	17,084
Others	670	0	0	0	0	670
Total	₩ 23,634	₩ 4,867	₩ 4,085	₩ 4,533	₩ 4,519	₩ 41,638
Sensitivity gap	1,117	(1,609)	(989)	(1,717)	(222)	(3,420)
Cumulative gap	1,117	(492)	(1,481)	(3,198)	(3,420)	
% of total assets	2.9%	(1.3)%	(3.9)%	(8.4)%	(8.9)%	

Duration Gap Analysis. The Issuer also performs duration gap analysis to measure and manage interest rate risk. Duration gap analysis is a more long-term risk indicator than interest rate gap analysis, as interest rate gap analysis focuses more on accounting income as opposed to the market value of the assets and liabilities. The Issuer emphasises duration gap analysis because, in the long run, its principal concern with respect to interest rate fluctuations is the net asset value rather than net interest revenue changes. For duration gap analysis the Issuer uses or assumes the same maturities for different assets and liabilities that it uses or assumes for the Issuer's interest rate gap analysis.

The following table shows, on a separate basis, duration gaps and net asset value changes when interest rates decrease by one percentage point as of the specified dates.

Won-denominated	Asset Duration	Liability Duration	Duration Gap	Net Asset Value Change
Date	(in years)	(in years)	(in years)	(in billions of Won)
June 30, 2020	1.000	0.896	0.151	₩528
December 31, 2020	1.091	0.963	0.174	627

Foreign currency-denominated	Asset Duration	Liability Duration	Duration Gap	Net Asset Value Change
Date	(in years)	(in years)	(in years)	(in billions of Won)
June 30, 2020	0.743	0.665	0.048	₩18
December 31, 2020	0.915	0.767	0.096	38

The Issuer sets interest rate risk limits using historical interest rate volatility of financial bonds and duration gaps with respect to expected asset and liability positions based on its annual business plans. The Risk Management Department submits interest rate gap analysis, duration gap analysis and interest rate risk limit compliance reports monthly to the Issuer's Risk Management Council and quarterly to the Issuer's Risk Management Committee.

The following table summarises the Issuer's interest rate risk, taking into account asset and liability durations as of December 31, 2020.

	As of December 31, 2020					
	3 Months or Less	3-6 Months	6-12 Months	1-3 Years	Over 3 Years	Total
	(in billions of Won, except percentages and maturities in years)					
Won-denominated:						
Asset position	₩109,784	₩76,228	₩73,303	₩54,611	₩40,963	₩354,889
Liability position	146,822	37,548	68,787	52,712	40,780	346,649
Gap	(37,038)	38,680	4,516	1,899	183	8,240
Average maturity	0.094	0.371	0.736	1.919	7.030	
Interest rate volatility	0.00%	0.06%	0.19%	0.42%	1.04%	
Amount at risk	1	10	3	16	481	511
Foreign currency-denominated:						
Asset position	₩ 24,751	₩ 3,258	₩ 3,096	₩ 2,816	₩ 4,297	₩ 38,218
Liability position	23,634	4,867	4,085	4,533	4,519	41,638
Gap	1,117	(1,609)	(989)	(1,717)	(222)	(3,420)
Average maturity	0.094	0.372	0.741	1.947	7.298	
Interest rate volatility	0.02%	0.23%	0.38%	0.47%	1.02%	
Amount at risk	0	(1)	(3)	(11)	(95)	80

IRRBB Analysis. Prior to January 2020, the Issuer estimated the maximum possible loss on net non-trading assets due to unfavorable changes in interest rates by calculating interest rate VaR using a historical simulation method with actual historical price, volatility and yield changes in comparison with the current position to generate hypothetical portfolios and calculate a distribution of position and portfolio market value changes. Using this method, the Issuer's interest rate VaR was ₩167 billion as of December 31, 2018, ₩320 billion as of December 31, 2019 and ₩591 billion as of December 31, 2020.

Recent amendments to the Detailed Regulation on the Supervision of the Banking Business, which became effective in November 2019, require banks, including the Issuer, to adopt the standards of the Interest Rate Risk in the Banking Book, or IRRBB, issued by the Basel Committee on Banking Supervision for calculating interest rate risk exposure. Such amendments were adopted in order to promote more financial stability for banks by requiring them to maintain a sufficient level of capital through a more robust risk management system. Under the new IRRBB analysis standards, the Issuer estimates its interest rate risk by calculating the changes in economic value of equity and the changes in net interest income based on various interest rate risk scenarios. Under this method, the Issuer's interest risk exposure was ₩544 billion as of December 31, 2020.

For additional information, see Note 4.4 of the notes to the Issuer's consolidated financial statements for 2019 and 2020 included elsewhere in this Offering Circular.

Foreign Exchange Risk

The Issuer manages foreign exchange rate risk arising from its non-trading operations together with such risks arising from its trading operations. See "*—Market Risk Management for Trading Activities—Foreign Exchange Risk*."

Liquidity Risk Management

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and outflow of funds resulting from, for example, maturity mismatches, obtaining funds at a high price or disposing of securities at an unfavourable price due to lack of available funds. The Issuer manages its liquidity in order to meet its financial liabilities from withdrawals of deposits, redemption of matured debentures and repayments at maturity of borrowed funds. The Issuer also requires sufficient liquidity to fund loans, to extend other credits and to invest in securities. The Issuer's liquidity management goal is to meet all its liability repayments on time and fund all investment opportunities even under adverse conditions. To date, the Issuer has not experienced significant liquidity risk.

The Issuer maintains liquidity by holding sufficient quantities of assets that can be liquidated to meet actual or potential demands for funds from depositors and others. The Issuer also manages liquidity by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds the Issuer believes it could raise by issuing securities. The Issuer seeks to minimise its liquidity costs by managing its liquidity position on a daily basis and by limiting the amount of cash at any time that is not invested in interest-earning assets or securities.

The Issuer maintains diverse sources of liquidity to facilitate flexibility in meeting its funding requirements. The Issuer funds its operations principally by accepting deposits from retail and corporate depositors, accessing the call loan market (a short-term market for loans with maturities of less than 90 days), issuing debentures and borrowing from the BOK and others. The Issuer uses the majority of funds it raises to extend loans or purchase securities. Generally, deposits are of shorter average maturity than loans or investments.

For Won-denominated assets and liabilities, the Issuer manages liquidity using a cash flow structure based on holding short-term liabilities and long-term assets. Generally, the average initial contract maturity of the Issuer's new Won-denominated time deposits was less than one year, while during the same period most of its new loans and securities had maturities over one year.

The Issuer manages liquidity risk within the limits set on Won and foreign currency accounts in accordance with the regulations of the FSC. The FSC requires Korean banks, including the Issuer, to maintain a liquidity coverage ratio of not less than 100%. The FSC defines the liquidity coverage ratio as the ratio of highly liquid assets to total net cash outflows over a 30-day period. The highly liquid assets and total net cash outflows included in the calculation of the liquid coverage ratio are determined in accordance with the "Standards for Calculation of Liquidity Coverage Ratio" under the Detailed Regulation on the Supervision of the Banking Business. In addition, the FSC requires Korean banks, including the Issuer, to maintain a foreign currency liquidity coverage ratio of not less than 80%. In April 2020, in order to encourage financial institutions to provide financial support to companies adversely affected by COVID-19, the FSC announced that it would temporarily lower the required liquidity coverage ratio to 85%, and the required foreign currency liquidity coverage ratio to 70%. Following a series of extensions by the FSC, these temporary deregulation measures are currently scheduled to expire at the end of September 2021.

The Issuer's Asset Liability Management Department is responsible for daily liquidity management of the Issuer's Won and foreign currency exposure. It reports monthly plans for funding and operations to the Asset Liability Management Committee, which discusses factors such as interest rate movements and maturity structures of the Issuer's deposits, loans and securities and establishes strategies with respect to deposit and lending rates.

The following tables show the Issuer's liquidity coverage ratio and foreign currency liquidity coverage ratio on an average balance basis for the month of December 2020 in accordance with FSC regulations:

Liquidity coverage ratio:	30 Days or Less
	(in billions of Won, except percentages)
Highly liquid assets (A)	₩58,543
Cash outflows (B)	79,271
Cash inflows (C)	16,003
Total net cash outflows (D = B-C)	63,268
Liquidity coverage ratio (A/D)	92.53%
Minimum limit	85%

Foreign currency liquidity coverage ratio:	30 Days or Less
	(in millions of US$, except percentages)
Highly liquid assets (A)	US$ 3,677
Cash outflows (B)	10,032
Cash inflows (C)	6,398
Total net cash outflows (D = B-C)	3,634
Liquidity coverage ratio (A/D)	101.18%
Minimum limit	70%

The Risk Management Department in the Issuer's Risk Management Group reports whether the Issuer is complying with these limits monthly to the Risk Management Council and quarterly to the Risk Management Committee.

Operational Risk Management

Overall Status

There is no complete consensus on the definition of operational risk in the banking industry. The Issuer defines operational risk broadly to include all financial and non-financial risks, other than credit risk, market risk, interest rate risk and liquidity risk, that may arise from its operations that could negatively impact its capital, including the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events as defined under Basel II. The Issuer's operational risk management objectives include not only satisfying regulatory requirements, but also providing internal support through the growth of a strong risk management culture, reinforcement of internal controls, improvement of work processes and provision of timely feedback to management members and staff throughout the Issuer.

The Issuer uses an operational risk management framework meeting the Basel II Advanced Measurement Approach, or AMA, under which the Issuer:

- calculates its operational risk VaR on a quarterly basis using the "loss distribution approach VaR" and "scenario based VaR" methodology, and monitors operational risk in terms of Key Risk Indicators ("KRI") using tolerance levels for each indicator;
- executes integrated compliance and operational risk Control Self Assessments ("CSAs"), that enhance the effect on internal controls, which the Issuer's employees are able to access and use for process improvement;
- collects and analyses internal and external loss data;
- conducts scenario analyses to evaluate exposure to high-severity events;
- manages certain insurance-related activities relating to insurance strategies established to mitigate operational risk;
- examines operational risks arising in connection with the development of, changes in or discontinuance of products, policies or systems;

- uses a detailed business continuity plan covering all of its operations and locations to prepare against unexpected events, including an alternate back-up site for use in disaster events as well as annual full-scale testing of such site;
- refines bank-wide operational risk policies and procedures;
- provides appropriate training and support to business line operational risk managers; and
- reports overall operational risk status to the Issuer's senior management.

While the Issuer's Risk Management Department advises relevant business units with respect to the review of and suggested improvements on related operational processes and procedures, each of the Issuer's relevant business units has primary responsibility for the management of its own operational risk. In addition, the Operational Risk Unit, which is part of the Issuer's Risk Management Department, monitors bank-wide operational risk. The Issuer also has business line operational risk managers in all of its subsidiaries, departments and branches who periodically conduct CSAs and monitor KRIs. For example, the Issuer has developed KRIs relating to customer data protection, which are applied and monitored at all domestic branches and offices. In addition, in order to strengthen risk management of its overseas operations, the Issuer designates expert auditors for overseas branches and conducts internal audits designed especially to check key risks identified for each overseas branch. The Issuer has also established a risk CSA system for overseas branches, pursuant to which all employees (including locally hired staff) of such branches are required to perform a risk CSA on a quarterly basis. Furthermore, the Issuer regularly monitors operational risks related to new businesses as well as existing operating processes and seeks to develop appropriate new KRIs and risk CSA measures on an ongoing basis. Through such method, the Issuer is able to ensure proper monitoring and measurement of operational risk in each of its business groups and overseas operations.

Internal Control

To monitor and control operational risks, the Issuer maintains a system of comprehensive policies and has put in place a control framework designed to provide a stable and well-managed operational environment throughout its organisation. The Issuer has in place regular staff rotation and a prescribed leave policy for employees in certain high-risk categories to safeguard against fraud and to check for weaknesses in internal controls. In addition, the Issuer maintains an external whistleblower "ombudsman" channel to encourage whistleblowing and voluntary reporting of fraudulent behaviour.

The Issuer establishes its internal control system in accordance with the group-level internal control principles established by KB Financial Group. The Issuer reviews its operations and its level of compliance with internal control systems and business processes on a periodic basis and, as part of this process, the Issuer is required to report any problems discovered and any remedial actions taken to KB Financial Group's chief compliance officer.

The Issuer's Audit Department is the execution body for the Issuer's Audit Committee and supports the Issuer's management objectives by auditing the operations of its branches using a risk analysis system and reviewing the operations of its headquarters and subsidiaries through the use of "risk-based audit" in accordance with the "business measurement process" audit methodology, which requires that the Issuer's Audit Department evaluate the risk and process of its business units and concentrate their audit capacity with respect to high risk areas. As a result of recent regulatory trends, the Issuer's Audit Department is continuing its efforts to establish an advanced audit system and value-added internal audit by introducing risk-based audit techniques.

The FSS periodically conducts a general examination of the Issuer's operations. The FSS also performs specific audits on particular aspects of the Issuer's operations, such as risk management, investor protection, credit monitoring and liquidity, as the need arises. In January, February, July and December 2019 and February 2021, the FSS issued warnings, as well as imposed administrative fines of various amounts, on the Issuer for alleged deficiencies in its operations, and the Issuer has since improved upon the main areas in which it was subject to such actions.

Legal Risk

The Issuer considers legal risk as a part of its operational risk. The uncertainty of the enforceability of the obligations of its customers and counterparties creates legal risk. Changes in laws and regulations could also adversely affect the Issuer. Legal risk is higher in new areas of business where the law is often untested in the courts, although legal risk can also increase in the Issuer's traditional business to the extent that the legal and regulatory landscape in Korea is changing and many new laws and regulations governing the banking industry remain untested. The Issuer's Compliance Supporting Department seeks to minimise legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorised and consulting legal advisers.

IT System Operational Risk

The integrity of the Issuer's IT systems, and its ability to withstand potential catastrophic events, is crucial to the Issuer's continuing operations. Accordingly, the Issuer is continuing to strengthen its disaster recovery capabilities. In order to minimise operational risks relating to its IT systems, the Issuer has implemented a multi-CPU system that runs multiple CPUs simultaneously on-site and ensures system continuity in case any of the CPUs fail. This system backs up the Issuer's data systems at an off-site location on a real-time basis to ensure that its operations can be carried out normally and without material interruption in the event of CPU failure. Also, in order to protect the Issuer's Internet banking services from system failures and cyber attacks, the Issuer processes its Internet transactions through three separate data processing centres.

The Issuer currently tests its disaster recovery systems on a quarterly basis, with the comprehensive testing including branches and the main IT centre's disaster recovery system. In addition, the Issuer monitors and reports on any unusual delays or irregularities reported by the Issuer's branches. Moreover, the Issuer's Information Security Department is responsible for the daily monitoring of the Issuer's entire information security system.

The Issuer has taken steps to establish a comprehensive security system aimed at detecting and responding to internal and external threats to its IT system and has implemented network segregation on the computers of all employees so that Intranet and Extranet functions are segregated. The Issuer has endeavoured to enhance protection of customer data by using personal identification numbers internally generated and managed by the Issuer in all customer financial transaction, in lieu of the resident registration numbers of its customers, and by amending forms and templates to minimise collection of potentially sensitive customer data. The Issuer's chief information security officer is responsible for ensuring protection of information assets and technologies and reducing IT risks.

In 2009, the Issuer obtained ISO 27001 certification, which relates to information security. In 2011, the Issuer also obtained ISO 20000 certification, which relates to IT service management, and BS 25999 certification, which relates to business continuity management. The Issuer is the first Korean bank to have obtained all three such international certifications. In addition, in 2013 and 2020, the Issuer obtained ISMS certification, which relates to information security management.

The Issuer implements various year-round education programs and training sessions designed to raise the information security awareness of both management and employees.

MANAGEMENT

Directors and Senior Management

The Issuer's board of directors has ultimate responsibility for the management of the Issuer's affairs. The Issuer's Articles of Incorporation provide for a board of no more than 30 directors, of which three or more must be non-executive directors and non-executive directors must comprise more than half of the board of directors. The Issuer currently has three executive directors and five non-executive directors. The Issuer elects its directors at a general meeting of shareholders by a majority vote of those present or represented at such meeting as long as the affirmative votes represent at least a quarter of the Issuer's total issued and outstanding shares with voting rights.

The term of office for each of the Issuer's executive directors is three years and for each of the Issuer's non-executive directors is two years for the initial term and one year for any subsequent term, provided that, if a director's term of office expires after the end of a fiscal year but before the convening of the general shareholders' meeting concerning the said fiscal year, his/her term of office shall be extended until the end of the general shareholders' meeting. The Issuer's directors may serve consecutive terms (with the term of office for non-executive directors limited to five consecutive years) and are subject to the Korean Commercial Code, the Act on Corporate Governance of Financial Companies and related regulations.

In respect of the members of the Issuer's board of directors and senior management, there are no potential conflicts between their duties to the Issuer and their other duties or private interests. The business address of all of the directors is the Issuer's registered office at 26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul 07331, Korea.

Executive Directors

The table below sets forth the names, years of birth and positions of the Issuer's executive directors as of the date of this Offering Circular.

Name	Year of Birth	Position	Start of Term	End of Term
Yin Hur	1961	President and CEO	November 21, 2017	December 31, 2021
Jae Seong Joo	1956	Chief Audit Executive	January 1, 2019	December 31, 2021
Jae Keun Lee	1966	Senior Executive Vice President; Sales Group	January 1, 2020	December 31, 2021

Non-executive Directors

The non-executive directors are outside directors elected from among those persons who do not have a special relationship with the Issuer that would interfere with the exercise of their independent judgment. The Issuer's non-executive directors are selected based on the candidates' talents and skills in diverse areas, such as law, finance, economics, management and accounting. The table below sets forth the names, years of birth and positions of the Issuer's non-executive directors as of the date of this Offering Circular.

Name	Year of Birth	Position	Start of Term	End of Term
Seung Tae Lim	1955	Non-executive Director	March 22, 2018	March 24, 2022
Gang Hyeon An	1960	Non-executive Director	March 21, 2019	March 24, 2022
Sung Hun Seog	1964	Non-executive Director	March 21, 2019	March 24, 2022
Yong Keun Yoo	1969	Non-executive Director	March 19, 2020	March 18, 2022
Tae-Jong Seo	1964	Non-executive Director	March 25, 2021	March 24, 2023

Executive Officers

The table below sets forth the names, years of birth and positions of the Issuer's executive officers (other than its executive directors) as of the date of this Offering Circular.

Name	Year of Birth	Position
Chai Hyun Sung	1965	Senior Executive Vice President; Retail Customer Group
Woon Tae Kim	1963	Senior Executive Vice President; SME/SOHO Customer Group
Sang Hyeon Woo	1964	Senior Executive Vice President; Corporate Investment Banking Customer Group
Young Gil Kim	1963	Senior Executive Vice President; Wealth Management Customer Group
Jeong Ha	1967	Senior Executive Vice President; Capital Markets Group
Jin Soo Yoon	1964	Senior Executive Vice President; Tech Group
Mun Cheol Jeong	1968	Senior Managing Director; Strategy & Finance Planning Group
Sang Gyeon Han	1964	Senior Managing Director; Public Institution Customer Group
Sang Cheol Heo	1965	Senior Managing Director; Smart Customer Group
Nam Hoon Cho	1968	Senior Managing Director; Global Business Group
Tae Gu Kim	1966	Senior Managing Director; Credit Management/ Analysis Group
Cheal Soo Choi	1966	Senior Managing Director; Risk Management Group
Ki Eun Park	1970	Senior Managing Director; Tech Group
Suk Gon Kang	1963	Senior Managing Director; Shared Service Group
Young Suh Cho	1971	Senior Managing Director; DT Strategy Division
Chang Su Choi	1966	Senior Managing Director; Secretariat
Chan Yong Park	1965	Managing Director; Planning & Coordination Department
Jin Young Kim	1969	Managing Director; Brand·ESG Group
Young Eun Moon	1965	Managing Director; Information Security Division
Chong Ran Kim	1964	Managing Director; Investment Product Division
Hyun Sik Myung	1965	Managing Director; Consumer Protection Division
Jeong Ho Cho	1964	Managing Director; Chief Compliance Officer

Compensation

The aggregate remuneration paid and benefits in kind granted by the Issuer to its president and chief executive officer, its other executive directors, its non-executive directors and its executive officers for the year ended December 31, 2020 was ₩14,146 million. In addition, for the year ended December 31, 2020, the Issuer set aside ₩373 million for allowances for severance and retirement benefits for the Issuer's president and chief executive officer, the other executive directors and the Issuer's executive officers.

Committees of the Board of Directors

The Issuer currently has the following committees that serve under the board:

(a) the Audit Committee;

(b) the Risk Management Committee;

(c) the Evaluation & Compensation Committee;

(d) the Non-executive Director Nominating Committee;

(e) the Audit Committee Members Nominating Committee; and

(f) the President Nominating Committee

Each committee member is appointed by the board of directors, except for members of the Audit Committee, who are elected at the general meeting of shareholders.

Audit Committee

The Audit Committee currently consists of two non-executive directors, Gang Hyeon An and Yong Keun Yoo, and one executive director, Jae Seong Joo. The chairperson of the Audit Committee is Gang Hyeon An. The Audit Committee oversees the Issuer's financial reporting and approves the appointment of the Issuer's independent accountants. The committee also reviews the Issuer's financial information, auditor's examinations, key financial statement issues, the plans and evaluation of internal control and the administration of the Issuer's financial affairs by the board of directors. In connection with the general meetings of shareholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors to each general meeting of shareholders. The committee holds regular meetings every quarter.

Risk Management Committee

The Risk Management Committee currently consists of three non-executive directors, Sung Hun Seog, Seung Tae Lim and Tae-Jong Seo. The chairperson of the Risk Management Committee is Sung Hun Seog. The Risk Management Committee oversees and makes determinations on all issues relating to the Issuer's comprehensive risk management function. In order to ensure the Issuer's stable financial condition and to maximise the Issuer's profits, the committee monitors the Issuer's overall risk exposure and reviews the Issuer's compliance with risk policies and risk limits. In addition, the committee reviews risk and control strategies and policies, evaluates whether each risk is at an adequate level, establishes or abolishes risk management divisions and reviews risk-based capital allocations. The committee holds regular meetings every quarter. See "*Risk Management*."

Evaluation & Compensation Committee

The Evaluation & Compensation Committee currently consists of three non-executive directors, , Yong Keun Yoo, Gang Hyeon An and Tae-Jong Seo. The chairperson of the Evaluation & Compensation Committee is Yong Keun Yoo. The Evaluation & Compensation Committee reviews compensation schemes and compensation levels and is also responsible for evaluating management's performance.

Non-executive Director Nominating Committee

The committee currently consists of five non-executive directors, Tae-Jong Seo, Seung Tae Lim, Gang Hyeon An, Sung Hun Seog and Yong Keun Yoo. The chairperson of the Non-executive Director Nominating Committee is Tae-Jong Seo. The committee oversees the selection of non-executive director candidates and recommends them annually sometime prior to the general stockholders meeting. The term of office of its members is from the first meeting of the committee held to nominate the non-executive directors until the nominated non-executive directors are appointed.

Audit Committee Members Nominating Committee

The committee currently consists of five non-executive directors, Seung Tae Lim, Tae-Jong Seo, Gang Hyeon An, Sung Hun Seog and Yong Keun Yoo. The committee oversees the selection of Audit Committee member candidates and recommends them annually sometime prior to the general stockholders meeting. The term of office of its members is from the first meeting of the committee held to nominate the Audit Committee members until the Audit Committee members are appointed.

President Nominating Committee

The committee currently consists of five non-executive directors, Seung Tae Lim, Tae-Jong Seo, Gang Hyeon An, Sung Hun Seog and Yong Keun Yoo. The committee oversees the selection of candidates for the Issuer's President and recommends them sometime prior to a general stockholders meeting at which the President is to be elected. The term of office of its members is from the first meeting of the committee held to nominate the President until the President is appointed.

REGULATION AND SUPERVISION

Legal and Regulatory Framework in Korea

Overview

The banking system in Korea is governed by the Bank Act and the Bank of Korea Act of 1950, as amended (the "Bank of Korea Act"). In addition, Korean banks are subject to the regulations and supervision of the BOK, the MPB, the FSC and its executive body, the FSS.

The BOK, established in June 1950 under the Bank of Korea Act, performs the customary functions of a central bank. It seeks to contribute to the sound development of the national economy by price stabilisation through establishing and implementing efficient monetary and credit policies with a focus on financial stability. The BOK acts under instructions of the MPB, the supreme policy-making body of the BOK.

Under the Bank of Korea Act, the MPB's primary responsibilities are to formulate monetary and credit policies and to determine the operations, management and administration of the BOK.

The FSC, established in April 1998, regulates commercial banks pursuant to the Bank Act, including establishing guidelines on capital adequacy of commercial banks, and promulgates regulations relating to supervision of banks. Furthermore, the FSC regulates market entry into the banking business.

The FSS, established in January 1999, is subject to the instructions and directives of the FSC and carries out supervision and examination of commercial banks. In particular, the FSS sets requirements both for the prudent control of liquidity and for capital adequacy and establishes reporting requirements pursuant to the authority delegated to it under the FSC regulations, pursuant to which banks are required to submit annual reports on financial performance and shareholdings, regular reports on management strategy and non-performing loans, including write-offs, and management of problem companies and plans for the settlement of bad loans.

Under the Bank Act, approval to commence a commercial banking business or a long-term financing business must be obtained from the FSC. Commercial banking business is defined as the lending of funds acquired predominantly from the acceptance of demand deposits for a period not exceeding one year or subject to the limitation established by the FSC, for a period between one year and three years. Long-term financing business is defined as the lending, for periods in excess of one year, of funds acquired predominantly from paid-in capital, reserves or other retained earnings, the acceptance of time deposits with maturities of at least one year, or the issuance of debentures or other bonds. A bank wishing to enter into any business other than commercial banking and long-term financing businesses must file a report to the FSC. For businesses that are subject to a licence or approval requirement under applicable laws, such as approval to commence a trust business under the FSCMA, such report must be filed concurrently with a relevant licence or approval application to the FSC. In addition, approval to merge with any other banking institution, to liquidate, spin off or close a banking business or to transfer all or a part of a business must be obtained from the FSC.

If the FSC deems a bank's financial condition to be unsound or if a bank fails to meet the applicable capital adequacy ratio set forth under Korean law, the FSC may order:

- admonitions or warnings with respect to the bank or its officers;
- capital increases or reductions;
- assignments of contractual rights and obligations relating to financial transactions;
- a suspension of performance by its officers of their duties and the appointment of receivers;
- disposals of property holdings or closures of subsidiaries or branch offices or downsizing;
- stock cancelations or consolidations;
- mergers with other financial institutions;

- acquisition of such bank by a third party; and
- suspensions of a part or all of its business operations for not more than six months.

Capital Adequacy

The Bank Act requires nationwide banks, such as the Issuer, to maintain a minimum paid-in capital of ₩100 billion and regional banks to maintain a minimum paid-in capital of ₩25 billion. All banks, including foreign bank branches in Korea, are also required to maintain a prescribed solvency position. A bank must also set aside in its legal reserve an amount equal to at least 10% of the net income after tax each time it pays dividends on net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital.

Under the Regulation on the Supervision of the Banking Business, the capital of a bank is divided into two categories, Tier I and Tier II capital. Tier I capital (core capital) consists of (i) common equity Tier I capital, including paid-in capital, capital surplus and retained earnings related to common equity and accumulated other comprehensive gains and losses, and (ii) additional Tier I capital, including paid-in capital and capital surplus from the issuance of additional Tier I capital, hybrid capital instruments and other capital securities which meet the standards prescribed by the governor of the FSS under Article 26(2) of the Regulation on Supervision of the Banking Business. Tier II capital (supplementary capital) consists of, among other things, capital and capital surplus from the issuance of Tier II capital, allowances for loan losses on loans classified as "normal" or "precautionary," subordinated debt and other capital securities which meet the standards prescribed by the governor of the FSS under Article 26(2) of the Regulation on Supervision of the Banking Business.

All banks must meet minimum ratios of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets, determined in accordance with FSC requirements that have been formulated based on Bank for International Settlements standards. These requirements were adopted and became effective in 1996, and were amended effective January 1, 2008 upon the implementation by the FSS of Basel II. Under such requirements, all domestic banks and foreign bank branches are required to meet a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets. Commencing in July 2013, the FSC promulgated a series of amended regulations implementing Basel III, pursuant to which Korean banks and bank holding companies were required to maintain a minimum ratio of common equity Tier I capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. The amended regulations also require an additional capital conservation buffer of 2.5% from January 2019, as well as a potential counter-cyclical capital buffer of up to 2.5%, which is determined on a quarterly basis by the FSC. Since March 2016, the FSC has maintained countercyclical capital buffer requirements at 0%, and the FSC has maintained the countercyclical capital buffer requirement at 0% for the first quarter of 2021. Furthermore, the Issuer was designated as one of the domestic systemically important banks for 2020 by the FSC and was subject to an additional capital requirement of 1.0% in 2020. In June 2020, the Issuer was again designated as a domestic systemically important bank for 2021, which would again subject the Issuer to the same additional capital requirement of 1.0% in 2021. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets.

Under the Detailed Regulation on the Supervision of the Banking Business, the following risk-weight ratios must be applied by Korean banks in respect of home mortgage loans:

- for those banks which adopted a standardized approach for calculating credit risk capital requirements, a risk-weight ratio between 20% and 150% for home mortgage loans and, with respect to high-risk home mortgage loans, the higher of this value and 50% or 70%; and
- for those banks which adopted an internal ratings-based approach for calculating credit risk capital requirements, a risk-weight ratio calculated with reference to the probability of default, loss given default and exposure at default, each as defined under the Detailed Regulation on the Supervision of the Banking Business.

Liquidity

All banks are required to ensure adequate liquidity by matching the maturities of their assets and liabilities in accordance with the Regulation on Supervision of the Banking Business. Banks may not invest an amount exceeding 100% of their Tier I and Tier II capital (less any capital deductions) in equity securities and certain other securities with a redemption period of over three years. This stipulation does not apply to Government bonds, Monetary Stabilisation Bonds issued by the BOK or debentures and stocks referred to in items 1 and 2, respectively, of paragraph (6) of Article 11 of the Act on the Structural Improvement of the Financial Industry. The FSC uses the liquidity coverage ratio (described below) as the principal liquidity risk management measure, and currently requires each Korean bank to:

- maintain a liquidity coverage ratio (defined as the ratio of highly liquid assets to total net cash outflows over a 30-day period) of not less than 100%;
- maintain a foreign currency liquidity coverage ratio of not less than 80%; and
- submit monthly reports with respect to the maintenance of these ratios.

In April 2020, in order to encourage financial institutions to provide financial support to companies adversely affected by COVID-19, the FSC announced that it would temporarily lower the required liquidity coverage ratio to 85%, and the required foreign currency liquidity coverage ratio to 70%. Following a series of extensions by the FSC, these temporary deregulation measures are currently scheduled to expire at the end of September 2021.

The MPB of the BOK is empowered to fix and alter minimum reserve requirements that banks must maintain against their deposit liabilities. The current minimum reserve ratios are:

- 7% of average balances for Won currency demand deposits outstanding;
- 0% of average balances for Won currency employee asset establishment savings deposits, employee long-term savings deposits, employee house purchase savings deposits, long-term house purchase savings deposits, household long-term savings deposits and employee preferential savings deposits outstanding (with respect to employee-related deposits and household long-term savings deposits and household long-term savings deposits, only if such deposits were made prior to February 28, 2013); and
- 2% of average balances for Won currency time deposits, instalment savings deposits, mutual instalments, housing instalments and certificates of deposit outstanding.

For foreign currency deposit liabilities, a 2% minimum reserve ratio is applied to time deposits with a maturity of one month or longer, certificates of deposit with a maturity of 30 days or longer and savings deposits with a maturity of six months or longer and a 7% minimum reserve ratio is applied to other deposits. A 1% minimum reserve ratio applies to deposits in offshore accounts, immigrant accounts and resident accounts opened by financial institutions (excluding bank holding companies) and the Export-Import Bank of Korea, as well as foreign currency certificates of deposit held by account holders of such offshore accounts, immigrant accounts and resident accounts opened by financial institutions (excluding bank holding companies) and the Export-Import Bank of Korea.

Furthermore, under the Regulation on Supervision of the Banking Business, the Issuer is required to maintain a minimum "mid- to long-term foreign exchange funding ratio" of 100% "Mid- to long- term foreign exchange funding ratio" refers to the ratio of (1) the total outstanding amount of foreign exchange borrowing with a maturity of more than one year to (2) the total outstanding amount of foreign exchange lending with a maturity of one year or more.

Net Stable Funding Ratio and Leverage Ratio Requirements

The FSC implemented the Regulation on Supervision of the Banking Business that impose certain liquidity- and leverage-related ratio requirements on banks in Korea, in accordance with Basel III. Pursuant to such Regulation, each Korean bank is required to:

- maintain a net stable funding ratio (defined as the ratio of the available amount of stable funding to the required amount of stable funding) of not less than 100%, where (i) the available amount of stable funding generally refers to the portion of liabilities and capital expected to be reliable over a one-year time horizon and (ii) the required amount of stable funding generally refers to the amount of stable funding that is required to be maintained based on the liquidity characteristics, residual maturities and off-balance sheet exposures of the bank's assets, each as calculated in accordance with the Detailed Regulation on the Supervision of the Banking Business;

- maintain a leverage ratio (defined as the ratio of core capital to total exposures) of not less than 3%, where (i) the core capital includes paid-in capital, capital surplus, retained earnings and hybrid Tier I capital instruments and (ii) total exposures include on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet exposures, each as calculated in accordance with the Detailed Regulation on the Supervision of the Banking Business; and
- submit monthly reports with respect to the maintenance of these ratios.

Financial Exposure to Any Individual Customer or Major Shareholder

Under the Bank Act, subject to certain exceptions, the sum of large exposures by a bank—in other words, the total sum of its credits to single individuals, juridical persons or business groups that exceed 10% of the sum of Tier I and Tier II capital (less any capital deductions)—generally must not exceed five times the sum of Tier I and Tier II capital (less any capital deductions). In addition, subject to certain exceptions, banks generally may not extend credit (including loans, guarantees, purchases of securities (extended for financial support) and any other transactions that directly or indirectly create credit risk) in excess of 20% of the sum of Tier I and Tier II capital (less any capital deductions) to a single individual or juridical person, or grant credit in excess of 25% of the sum of Tier I and Tier II capital (less any capital deductions) to a single group of companies as defined in the Monopoly Regulations and Fair Trade Act.

The Bank Act also provides for certain restrictions on extending credits to a major shareholder. A "major shareholder" is defined as:

- a shareholder holding (together with persons who have a special relationship with that shareholder) in excess of 10%; (or 15% in the case of regional banks) in the aggregate of the bank's total issued and outstanding voting shares; or
- a shareholder holding (together with persons who have a special relationship with such shareholder) in excess of 4% in the aggregate of the bank's (excluding regional banks) total issued and outstanding voting shares of a bank (excluding shares subject to the shareholding restrictions on "non-financial business group companies" as described below), where such shareholder is the largest shareholder or has actual control over the major business affairs of the bank through, for example, appointment and dismissal of the officers as prescribed by the Enforcement Decree of the Bank Act. Non-financial business group companies primarily consist of: (i) any single shareholding group whose non-financial company assets comprise no less than 25% of its aggregate net assets; (ii) any single shareholding group whose non-financial company assets comprise no less than ₩2 trillion in aggregate; or (iii) any investment company under the FSCMA of which any single shareholding group identified in (i) or (ii) above, owns more than 4% of the total issued and outstanding shares.

Under these restrictions, banks may not extend credits to a major shareholder (together with persons who have a special relationship with that shareholder) in an amount greater than the lesser of (x) 25% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) and (y) the relevant major shareholder's shareholding ratio multiplied by the sum of the bank's Tier I and Tier II capital (less any capital deductions). In addition, the total sum of credits granted to all major shareholders must not exceed 25% of the bank's Tier I and Tier II capital (less any capital deductions).

Interest Rates

Korean banks generally depend on deposits as their primary funding source. Under the Act on Registration of Credit Business, Etc. and Protection of Finance Users and the regulations thereunder, interest rates on loans made by registered banks in Korea may not exceed 24% per annum, and additional regulations on loans that reduce maximum interest rates that may be charged from 24% to 20% is expected to become effective in July 2021. Historically, interest rates on deposits and lending were regulated by the MPB. There are no controls on deposit interest rates in Korea, except for the prohibition on interest payments on current account deposits.

Lending to SMEs

In order to obtain funding from the BOK at concessionary rates for their SME loans, banks are required to allocate a certain minimum percentage of any quarterly increase in their Won currency lending to SMEs. Currently, this minimum percentage is 45% in the case of nationwide banks and 60% in the case of regional banks. If a bank does not comply with this requirement, the BOK may:

- require the bank to prepay all or a portion of funds provided to that bank in support of loans to SMEs; or
- lower the bank's credit limit.

Disclosure of Management Performance

For the purpose of protecting depositors and investors in commercial banks, the FSC requires commercial banks to publicly disclose certain material matters, including:

- the financial condition and profit and loss of the bank and its subsidiaries;
- fundraising by the bank and the appropriation of such funds;
- any sanctions levied on the bank under the Bank Act or any corrective measures or sanctions under the Act on the Structural Improvement of the Financial Industry; and
- the occurrence of any of the following events, or any other event as prescribed by the applicable regulations, that have damaged or are likely to damage the soundness of the bank's management, except as may otherwise have been disclosed by a bank or its financial holding company listed on the KRX KOSPI Market in accordance with the FSCMA:
  - (i) loans bearing no profit made to a single business group in an amount exceeding 10% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month (where the loan exposure to that borrower is calculated pursuant to the criteria under the Detailed Regulation on the Supervision of the Banking Business), unless the loan exposure to that group is not more than ₩4 billion; and
  - (ii) any loss due to court judgments or similar decisions in civil proceedings in an amount exceeding 1% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month, unless the loss is not more than ₩1 billion.

Restrictions on Lending

Pursuant to the Bank Act and its sub-regulations, a commercial bank may not provide:

- loans secured by a pledge of the bank's own shares, whether direct or indirect;
- loans to enable a natural or juridical person to buy the shares issued by the bank, whether direct or indirect;
- loans to any of the bank's officers or employees, other than *de minimis* loans of up to (i) ₩20 million in the case of a general loan, (ii) ₩50 million in the case of a general loan plus a housing loan or (iii) ₩60 million in the aggregate for general loans, housing loans and loans to pay damages arising from wrongful acts of employees in financial transactions;
- credit (including loans) secured by a pledge of the equity securities of its subsidiary corporation or to enable a natural or juridical person to buy shares of its subsidiary corporation; or
- loans to any officers or employees of its subsidiary corporation, other than general loans of up to ₩20 million or general and housing loans of up to ₩50 million in the aggregate.

Regulations Relating to Retail Household Loans

The FSC has implemented a number of changes in recent years to the regulations relating to retail household lending by banks. Under the currently applicable regulations:

- as to loans secured by housing (including apartments) located nationwide, the loan-to-value ratio (the aggregate principal amount of loans secured by such collateral over the appraised value of the collateral) should not exceed 70%;
- as to loans secured by housing (including apartments) located in areas of excessive investment or high speculation, in each case, as designated by the Government, where the price does not exceed ₩900 million (based on the evaluation data of a certified rating institution, for which the detailed standards shall be as determined by the director of the FSS), the loan to value ratio should not exceed 40%, except that such maximum loan-to-value ratio shall be 50% for low-income households that (i) have an annual income of less than ₩80 million (or ₩90 million for first-home buyers), (ii) do not currently own any housing and (iii) are using the loan to purchase low-price housing valued at less than ₩600 million;
- as to any new loans secured by high-priced housing (including apartments) located in areas of excessive investment or high speculation, in each case, as designated by the Government, where the price exceeds ₩900 million (based on the evaluation data of a certified rating institution, for which the detailed standards shall be as determined by the director of the FSS), the loan-to-value ratio should not exceed 40% for the portion of such housing price not exceeding ₩900 million, and should not exceed 20% for the rest of the portion of such housing price exceeding ₩900 million, and no new loans shall be made available for any high-priced housing (including apartments) located in areas of excessive investment or high speculation, where the price exceeds ₩1.5 billion;
- as to any new loans secured by housing (including apartments) located nationwide to be extended to a household that already owns one or more houses, the maximum loan-to-value ratio must be adjusted to 10% lower than the applicable loan-to-value ratio described above;
- any new loans secured by housing (including apartments) located in areas of excessive investment or high speculation, in each case, as designated by the Government, extended to a household that already owns one or more houses are not permitted unless otherwise specified by the applicable regulations;
- as to loans secured by housing (including apartments) located in areas of excessive investment or high speculation, in each case, as designated by the Government, the borrower's debt-to-income ratio (calculated as (1) the aggregate annual total payment amount of (x) the principal of and interest on loans secured by such housing and existing mortgage and home equity loans and (y) the interest on other debts of the borrower over (2) the borrower's annual income) should not exceed 40%, except that such maximum debt-to-income ratio is 50% for low-income households that (i) have an annual income of less than ₩80 million (or ₩90 million for first-home buyers), (ii) do not currently own any housing and (iii) are using the loan to purchase low-price housing valued at less than ₩600 million;
- as to any new loans secured by apartments to be extended to a household that already owns one or more houses but plans to purchase additional houses located in an unregulated Seoul metropolitan area, the maximum debt-to-income ratio must be adjusted to 10% lower than the applicable debt-to-income ratio described above; and
- as to any new loans extended to a household that has already obtained a loan secured by high priced housing (including apartments) located in areas of excessive investment or high speculation, as designated by the Government, the borrower's debt-service-ratio (calculated as (1) the aggregate annual total payment amount of the principal of and interest on financial liabilities, including the loans secured by such high-priced housing, divided by (2) the borrower's annual income) should not exceed 40% unless otherwise specified by the applicable regulations.

Restrictions on Investment in Property

A bank may not invest in the following securities in excess of 100% of the sum of the bank's Tier I and Tier II capital (less any capital deductions):

- debt securities (within the meaning of paragraph (3) of Article 4 of the FSCMA) the maturity of which exceeds three years, but excluding Government bonds, Monetary Stabilisation Bonds issued by the BOK and bonds within the meaning of item 2, paragraph (6) of Article 11 of the Act on the Structural Improvement of the Financial Industry;
- equity securities, but excluding securities within the meaning of item 1, paragraph (6) of Article 11 of the Act on the Structural Improvement of the Financial Industry;
- derivatives-linked securities (within the meaning of paragraph (7) of Article 4 of the FSCMA) the maturity of which exceeds three years; and
- beneficiary certificates, investment contracts and depositary receipts (within the meaning of paragraph (2) of Article 4 of the FSCMA) the maturity of which exceeds three years.

A bank may possess real estate property only to the extent necessary to conduct its business. The aggregate value of such property may not exceed 60% of the sum of the bank's Tier I and Tier II capital (less any capital deductions). Any property that a bank acquires by exercising its rights as a secured party, or which a bank is prohibited from acquiring under the Bank Act, must be disposed of within three years, unless otherwise specified by the regulations thereunder.

Restrictions on Shareholdings in Other Companies

Under the Bank Act, a bank may not own more than 15% of the shares outstanding with voting rights of another corporation, except where, among other reasons:

- that corporation engages in a category of financial businesses set forth by the FSC; or
- the acquisition of such shares by the bank is necessary for the corporate restructuring of such corporation and is approved by the FSC.

In the above exceptional cases, the total investment in corporations in which the bank owns more than 15% of the outstanding shares with voting rights may not exceed (i) 20% of the sum of Tier I and Tier II capital (less any capital deductions) or (ii) 30% of the sum of Tier I and Tier II capital (less any capital deductions) where the acquisition satisfies the requirements determined by the FSC.

The Bank Act provides that a bank using its bank accounts and its trust accounts is not permitted to acquire the equity securities issued by the major shareholder of such bank in excess of an amount equal to 1% of the sum of Tier I and Tier II capital (less any capital deductions).

Restrictions on Bank Ownership

Under the Bank Act, a single shareholder and persons who have a special relationship with that shareholder generally may acquire beneficial ownership of no more than 10% of a nationwide bank's total issued and outstanding shares with voting rights and no more than 15% of a regional bank's total issued and outstanding shares with voting rights. The Government, the KDIC and bank holding companies qualifying under the Financial Holding Company Act are not subject to this limit. Pursuant to the Bank Act, non-financial business group companies may not acquire beneficial ownership of shares of a nationwide bank in excess of 4% (or 15% in the case of a regional bank) of that bank's outstanding voting shares, unless they satisfy certain requirements set forth by the Enforcement Decree of the Bank Act, obtain the approval of the FSC and agree not to exercise voting rights in respect of shares in excess of the 4% limit (or the 15% limit in the case of a regional bank), in which case they may acquire beneficial ownership of up to 10% of a nationwide bank's outstanding voting shares. The Bank Act grants an exception for non-financial business group companies which, at the time of the enactment of the amended provisions, held more than 4% of the shares of a bank.

In addition, if a foreign investor, as defined in the Foreign Investment Promotion Act, owns in excess of 4% of a nationwide bank's outstanding voting shares, non-financial business group companies may acquire beneficial ownership of up to 10% (or 15% in the case of a regional bank) of that bank's outstanding voting shares, and in excess of 10% (or 15% in the case of a regional bank), 25% or 33% of that bank's outstanding voting shares with the approval of the FSC in each instance, up to the number of shares owned by the foreign investor. Any other person (whether a Korean national or a foreign investor), with the exception of non-financial business group companies described above, may acquire no more than 10% of a nationwide bank's total voting shares issued and outstanding, unless they obtain approval from the FSC in each instance where the total holding will exceed 10% (or 15% in the case of regional banks), 25% or 33% of the bank's total voting shares issued and outstanding provided that, in addition to the foregoing threshold shareholding ratios, the FSC may, at its discretion, designate a separate and additional threshold shareholding ratio.

Deposit Insurance System

The Depositor Protection Act provides insurance for certain deposits of banks in Korea through a deposit insurance system. Under the Depositor Protection Act, all banks governed by the Bank Act are required to pay an insurance premium to the KDIC on a quarterly basis and the rate is determined under the Enforcement Decree to the Depositor Protection Act. If the KDIC makes a payment on an insured amount, it will acquire the depositors' claims with respect to that payment amount. The KDIC insures a maximum of ₩50 million per individual for deposits and interest in a single financial institution, regardless of when the deposits were made and the size of the deposits.

The Financial Consumer Protection Act

The Financial Consumer Protection Act became effective on March 25, 2021, with certain provisions relating to internal control under such Act to become effective on September 25, 2021. The Financial Consumer Protection Act aims to enhance measures to protect financial consumers and to establish a sound market order in the financial product sales and advisory businesses. The Financial Consumer Protection Act consolidates existing regulations relating to the sale of financial products and consumer protection stipulated in other laws governing the financial sector, such as the FSCMA, the Banking Act and the Insurance Business Act, and will be applied to the financial industry on a cross-sectoral basis.

Application of the Financial Consumer Protection Act

All financial products that are classified as (i) deposits, (ii) loans, (iii) investment products or (iv) insurance products are subject to the Financial Consumer Protection Act. These four types of products encompass most of the products covered by the Bank Act, the FSCMA and the Insurance Business Act. Financial products offered by credit unions, peer-to-peer (P2P) lending firms and registered credit service providers will also be regulated by the Financial Consumer Protection Act.

Six Principles Regulating Selling Activities

The Financial Consumer Protection Act consolidates previously scattered regulations regarding financial business operations into six uniform standards that cover the following: (i) suitability, (ii) appropriateness, (iii) duty to explain, (iv) unfair sales practices, (v) improper solicitation and (vi) advertisements. Among these six principles, suitability, appropriateness and duty to explain apply only to "general financial consumers," although "professional financial consumers" may elect to be treated as "general financial consumers," in which case all six principles would apply to them.

Internal Control Requirements for Consumer Protection

The Financial Consumer Protection Act requires sellers of financial products to have adequate internal control standards to protect consumers. The Enforcement Decree to the Financial Consumer Protection Act sets forth details of certain of the internal control standards as follows:

- Establishment of the authority and responsibilities of the decision maker, such as the representative director or a director, in the implementation of internal control measures;
- Development of an organizational structure and designation of personnel responsible for consumer protection matters, including the establishment of a financial consumer protection committee;

- Implementation of (i) inter-departmental consultation procedures for the development and sale of financial products, (ii) processes for internal deliberations and the incorporation of opinions from independent third party advisors, (iii) standards for vetting advertisements, (iv) mandatory training requirements for officers and employees and implementation of qualification requirements, (v) standards for the prevention of conflicts of interest, (vi) proper management of confidential information, and (vii) disclosure obligations when potential harm to consumers arises; and
- Establishment of standards for performance-based compensation of officers and employees in charge of sales of financial products.

Right to Withdraw Subscriptions and Right to Terminate Contracts

Under the Financial Consumer Protection Act, consumers will have the right to withdraw subscriptions, allowing them to receive a refund during a statutory cooling-off period following the execution of the relevant subscription agreement. This right generally applies to all types of financial products with the exception of deposits, although in the case of investment products, the right to withdraw applies only to highly complex funds and trusts. Consumers also have the right to terminate a contract if the sellers violate the Financial Consumer Protection Act in relation to the sales process. The right to terminate contracts applies to long-term contracts but such right must be exercised within one year from the time that the customer becomes aware that the financial product was sold in violation of the regulatory requirements.

Punitive Penalty Surcharges

In case of a violation of the principles regarding the duty to explain, unfair sales practices, improper solicitation and advertisements, sellers will now be subject to a punitive penalty of up to half the "amount that is the purpose of the contract" (which would be the deposit amount in case of deposit products, loan amount in case of loan products, investment amount in case of investment products, and insurance premium in case of insurance products), depending on the severity of the violation of the Financial Consumer Protection Act.

Restrictions on Foreign Exchange Position

Under the Foreign Exchange Transaction Regulation of Korea, each of a bank's net overpurchased and oversold positions may not exceed 50% of its shareholders' equity as of the end of the prior month.

Laws and Regulations Governing Other Business Activities

A bank must register with the Ministry of Economy and Finance to enter the foreign exchange business, which is governed by the Foreign Exchange Transaction Act of Korea. A bank must obtain the permission of the FSC to enter the securities business, which is governed by regulations under the FSCMA. Under these laws, a bank may engage in the foreign exchange business, securities repurchase business, governmental/public bond underwriting business and governmental bond dealing business, among others.

Trust Business

A bank must obtain approval from the FSC to engage in trust businesses. The Trust Act and the FSCMA govern the trust activities of banks, and they are subject to various legal and accounting procedures and requirements, including the following:

- under the Trust Act, assets accepted in trust by a bank in Korea must be segregated from other assets in the accounts of that bank; and
- depositors and other general creditors cannot obtain or assert claims against the assets comprising the trust accounts in the event the bank is liquidated or wound-up.

The bank must make a special reserve of 25% or more of fees from each unspecified money trust account for which a bank guarantees the principal amount and a fixed rate of interest until the total reserve for that account equals 5% of the trust amount.

Under the FSCMA, a bank with a trust business licence (such as the Issuer) is permitted to offer both specified money trust account products and unspecified money trust account products. However, pursuant to guidelines from regulatory authorities that discourage the sale of unspecified money trust account products, sales of such products have generally been suspended.

SUSTAINABLE FINANCING FRAMEWORK

1 Introduction

Headquartered in Seoul, the Issuer is one of the largest commercial banks in Korea and the principal subsidiary of KB Financial Group Inc., one of Korea's leading financial groups. With over 5,500 ATMs and 950 domestic and overseas branches as of 2020 year-end, the Issuer offers a wide range of banking products and financial services to individuals and corporate customers, including SMEs and SOHOs.

With the objective of becoming a global financial institution leading the Asian financial market, the Issuer has set strategic goals to ultimately position itself as an Asia top 10 and global top 50 player. The Issuer continually seeks to retain its leading position in Korea through enhanced profitability, stable asset growth and improved portfolio management. The Issuer also aims to further develop its financial strength and expertise to become a world-class financial institution that plays a leading role in Asia.

1.1 The Issuer's Commitment to Sustainability

In line with the Issuer's vision to be an active player in preserving the environment and promoting balanced social development through its sustainability initiatives, the Issuer is at the forefront of efforts to support environmental and social causes.

Since 2007, the Issuer has provided financing solutions for a wide range of renewable energy projects, including solar power, wind power and solid refuse fuel. The Issuer offers green loan products that provide preferential interest rates for businesses that support projects with environmental benefits. The Issuer also offers deposit and savings products that promote use of public transportation, as well as automobile loans at preferential interest rates for customers who purchase electric vehicles or hybrid vehicles.

The Issuer is also devoted to combatting climate change by reducing carbon emission generated from its business activities and enhancing energy efficiency by implementing environmental management systems (for which it obtained ISO 14001 certification) at six of its buildings, including the Yeouido headquarters. The systems help track and manage the environmental impact of the Issuer's operations, including waste generation and greenhouse gas emission.

In addition to its environmental efforts, the Issuer is committed to supporting local communities and has embraced its social responsibility as a global financial player by providing easily accessible financial services to retail customers with low income, start-up companies, SMEs and SOHOs. The Issuer offers microfinance products such as affordable loans to low income individuals and household stabilization loans to persons with disabilities.

The Kookmin Bank Sustainable Financing Framework (the "Framework") has been developed to demonstrate how the Issuer and its entities (the "Group") intend to enter into Sustainable Financing Transactions ("SFT") to finance or refinance projects and expenditures that will have a positive environmental and social impact while supporting the Group's strategy and vision. Financing may include instruments such as bonds and loans that contribute to sustainable development by earmarking the proceeds for projects and expenditures that fall within the Eligible Categories (as described below).

Bonds issued under the Framework will follow, depending on the type of bonds, the Green Bond Principles[2] ("GBP"), 2018, Social Bond Principles[3] ("SBP"), 2018 and Sustainability Bond Guideline[4] ("SBG"), 2018, as they may be subsequently amended.

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2 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles-June-2018-140618-WEB.pdf

3 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Social-Bond-Principles-June-2018-140618-WEB.pdf

4 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Sustainability-Bond-Guidelines-June-2018-140618-WEB.pdf

Loans made under the Framework will follow the Green Loan Principles[5] ("GLP"), 2018, as they may be subsequently amended.

The Framework may be subsequently revised or updated as the sustainable finance market continues to evolve.

Each SFT will align with the following four core components, as described in Section 2 below;

1. Use of Proceeds;
2. Project Evaluation and Selection;
3. Management of Proceeds; and
4. Reporting.

2 Kookmin Bank Sustainable Financing Framework

2.1 Use of Proceeds

An amount equal to the net proceeds of each SFT (or its equivalent in other currencies) will be allocated to direct lending to the Issuer's corporate customers and individual customers. This includes all lending products that the Issuer currently offers as well as any future lending products it may develop, except lending to Exclusions as defined in Section 2.1.3 below. Eligible lending products include new loans, and refinancing of existing loans that have been issued within 24 months prior to the date of issuance of the SFT.

The proceeds of a Green Bond/Loan and/or a Social Bond/Loan issued under the Framework will be allocated to projects that fall under the Green Eligible Categories set forth in Section 2.1.1 below or the Social Eligible Categories set forth in Section 2.1.2 below, respectively, while the proceeds of a Sustainability Bond/Loan will be allocated to a combination of Green and Social Eligible Categories (the "Eligible Use of Proceeds").

2.1.1 Green Eligible Categories

Eligible Categories	Explanation	Eligible Projects (including, but not limited to)
Renewable energy	Technology and related infrastructure supporting the production of renewable energy such as solar energy, hydropower, wind power, geothermal energy and bioenergy	- Solar cell production - Solar energy generation (including building-integrated photovoltaics) - Biomass energy generation (including marine, agriculture, forest) - Ocean energy generation (ocean thermal energy, tidal power generation) - Hydro-power projects - Wind power generation - Solar thermal energy generation
Energy efficiency	Industries that promote energy savings and increase efficiency of energy use by effectively distributing, utilizing, and managing the energy generated through the application of IT technology and new materials	- Hydrogen fuel cell technology - Household energy management (smart meters) - Thermal grids to recycle heat emissions (e.g. power plant hot water heat, LNG cold heat) from power plants and other industrial applications as useful energy for other industries (e.g. heat pumps, heat exchangers)

5 https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

Eligible Categories	Explanation	Eligible Projects (including, but not limited to)
Pollution prevention and control	Technology and related services to create sustainable environment through reduction of environmental pollution, by eliminating or significantly mitigating environmental pollutants in water, air, and soil using biological, physical and chemical methods	- Nitrogen emissions reduction (technology to reduce nitrogen oxides emissions from industrial sources) - Environment-friendly refrigerants - Micro-air pollution management - Soil remediation - Electronic/electric waste recycling - Waste-recycled energy
Environmentally sustainable management of natural resources and land use	Sustainable utilization of major natural resources such as land, water, air, minerals, forests, wild flora and fauna	- Environmentally sustainable agriculture, (smart farming, microirrigation, agricultural microorganism and vertical farming) - Environmentally sustainable animal husbandry - Climate smart farm inputs such as biological crop protection or drip-irrigation
Conservation of terrestrial and aquatic biodiversity	Protection of coastal, marine or watershed environments	- Projects for allocation and protection of the environment, the local community, and - biodiversity
Clean transportation	Transportation systems that have little or no carbon emissions and related equipment, technology and infrastructure	- Magnetic levitation (advanced transit system) - Electric vehicles
Sustainable water and wastewater management	Solutions that promote the sustainable management of water resources	- Sustainable infrastructure for clean water - Wastewater treatment - Flooding mitigation (sustainable urban drainage systems, river training) - Membrane filtration waste water disposal (sewage and waste water recycling, hydro ecological restoration)
Climate change adaptation	Responses to reduce the vulnerability of social and biological systems to climate change and the impact of global warming	- Information support systems, such as climate observation and early warning systems
Green buildings	Construction of buildings and application of processes that are environmentally responsible and resource-efficient throughout the building's life-cycle	- Construction and renovation of green buildings that meet recognized Green Building Standards: LEED Gold and above, BREEAM Excellent and above, and national equivalents with minimum standards such as G-SEED (Green Standard for Energy and Environmental Design) based on the Act on Development and Support of Green Buildings

2.1.2 Social Eligible Categories

Eligible Categories	Eligible Projects (including, but not limited to)
Affordable basic infrastructure	Projects that provide, or promote, the following to target populations specified in Appendix I: - Clean drinking water - Sewerage - Sanitation - Transportation - Energy
Access to essential services	Projects that provide, or promote, the following to target populations specified in Appendix I: - Health - Education - Vocational training - Healthcare - Financing - Financial services
Affordable housing	- Lending to tenants of public housing provided by 1) public housing providers under the Special Act of Public Housing or 2) public housing providers approved by Korea Housing Finance Corporation
Employment generation	Loans to companies which qualify under "Job Creation Criteria" specified in Appendix II SME financing and microfinance Loans to companies which meet the following requirements: - Categorized as an SME under the Enforcement Decree of The Framework Act on Small and Medium Enterprises (see Appendix III for more information) - Less than 10 employees
Socioeconomic advancement and empowerment	Loans to financially-alienated communities or underserved populations, including: - Low income individuals[6] - Single parents with dependents aged below 18 - Families or individuals with financial—dependent(s) aged over 60

2.1.3 Exclusions

The following industries are excluded from consideration for eligibility ("Exclusions"):

- Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage, golf course services);
- Child labor;
- Adult entertainment;
- Weapon;
- Alcohol;
- Tobacco;
- Fossil fuel;
- Nuclear;

[6] Low income individuals are determined by the Korean Ministry of Health and Welfare ("MOHW") and Ministry of Education ("MOE")'s classification, which is based on household income.

- Large-scale hydro-power projects with a generating capacity of over 25 megawatts; and
- Biomass suitable for food production

2.2 Project Evaluation and Selection

The project evaluation and selection process is a key process in ensuring that net proceeds from the Group's SFTs are allocated to projects and assets that meet the criteria set forth in the Framework.

Potentially eligible projects for the use of proceeds of each SFT issued under the Framework will first be identified and proposed by the Issuer's business units. These projects will need to meet all lending criteria established by the Issuer for lending in the ordinary course of its business.

The Issuer will establish a Sustainable Financing Steering Committee ("SFSC"), which will consist of representatives from the below departments:

- Trading/Capital Markets Department
- Retail Credit Product Department
- SME/SOHO Customer Department
- Investment Banking Department
- Infrastructure Finance Department
- General Affairs Department
- Head Office Integration Department
- Corporate Social Responsibility Department
- Global Business Department
- CSR & Culture Management Department, KB Financial Group Inc.

The projects proposed will be reviewed by the SFSC, which will assess the environmental and social impact of such projects by screening customer information against the Eligible Use of Proceeds set forth in Section 2.1 above, and will make recommendations for inclusion as Eligible Use of Proceeds.

The SFSC will review and approve all proposed Eligible Use of Proceeds to determine their compliance with the Framework.

The SFSC will annually review the allocation of proceeds to the Eligible Categories and determine whether any changes are necessary (for example, if lending has been repaid, sold or otherwise become ineligible), and will decide whether any update to the allocations (such as replacement, deletion, or addition) would be necessary.

The SFSC will also facilitate reporting as described in Section 2.4 below.

2.3 Management of Proceeds

The Group will establish a Sustainable Financing Register to record the allocations and track the use of SFT proceeds. The proceeds of each SFT will be deposited in the general funding accounts and earmarked for allocation to eligible assets.

The Sustainable Financing Register will be reviewed annually by the SFSC to account for any reallocation, repayments or drawings on the eligible projects and expenditures within the pool. The Sustainable Financing Register will contain, among others, the following information:

(1) Details of the SFT(s): key information, including issuer/borrower entity, transaction date, principal amount of proceeds, settlement date, maturity date, interest rate or coupon, ISIN number etc.;

(2) Details of the use of proceeds, including:

   - Summary of eligible projects and expenditures to which the SFT proceeds have been earmarked in accordance with the Framework;

- Amount of SFT proceeds earmarked for each eligible project and/or eligible category;
- Confirmation by SFSC that the project constitutes an Eligible Use of Proceeds under the Framework;
- Aggregate amount of SFT proceeds earmarked for eligible projects and expenditures;
- Any unallocated SFT proceeds yet to be earmarked for eligible projects and expenditures;
- Estimated environmental and social impact; and
- Other necessary information.

Any balance of proceeds from an issuance not allocated to Eligible Use of Proceeds will be held in accordance with the Group's general liquidity management policies. The unallocated proceeds can be invested domestically and internationally in money market instruments with satisfactory credit ratings and market liquidity until they are allocated to Eligible Use of Proceeds.

2.4 Reporting

The Group is committed to a high level of reporting. The Issuer will disclose its use of proceeds from SFT(s) on an annual basis on its website at https://omoney.kbstar.com/quics?page=C060053 or in its annual reports or sustainability reports. The disclosure will contain, among others, the following information:

(a) Summary

List of all SFT(s) executed in the reporting period and outstanding as of the reporting date and summary terms of each transaction, including issuer/borrower entity, transaction date, principal amount of proceeds, maturity date, interest rate or coupon, ISIN number, etc.

(b) Allocation Reporting

- Confirmation that the use of proceeds of each SFT complies with the Framework;
- List of Eligible Use of Proceeds made from the proceeds of each SFT and its net amount;
- Breakdown of the Eligible Use of Proceeds, by geographic location, sector and others; and
- The balance of unallocated net proceeds.

(c) Impact Reporting

- Where possible, the Group will report on the environmental and social impacts (where relevant) resulting from eligible projects. Subject to the nature of eligible projects/expenditures and availability of information, the Group will look to utilize the impact reporting guidelines (as detailed within the ICMA Green Bond Principles Resource Centre and summarized in Appendix IV).

3 External Review

The Group has engaged Sustainalytics to provide an external review in the form of a Second Party Opinion on the Framework, and to confirm alignment with the GBP, SBP, SBG and/or the GLP, as applicable.

Such Second Party Opinion will be made publicly available on the Issuer's website at https://omoney.kbstar.com/quics?page=C060053.

Appendix I: Examples of Target Populations from SBP 2018

- Low income individuals[7]
- Vulnerable groups, including victims of natural disasters
- People with disabilities

[7] Low income individuals are determined by the MOHW and MOE's classification, which is based on household income

- Migrants and/or displaced persons
- Under-educated
- Underserved, from a lack of quality access to essential goods and services
- Unemployed

Appendix II: Job Creation Criteria

- Employment growth since January 1, 2016
- Certified as "Good employment company" by the central or local government
- Designated as "Job creation supporting company for part-time workers" by the Ministry of Employment and Labor
- Received tax benefit in consequence of employment expansion for the recent 1 year as per the Special Tax Treatment Control Act
- Company engaged in supporting business area of Ministry of SMEs and Startups
- Company engaged in "Young generation employment campaign" hosted by the Ministry of Employment and Labor, and Ministry of SMEs and Startups
- Designated as "Small giants company friendly to young generation" by the Ministry of Employment and Labor
- Company provided with "Employment stability subsidy" or "Employment generation subsidy" by the government
- Company that transferred its headquarters or factories from overseas to Korea during the past two years
- Companies which qualify under the above may be offered a preferred lending rate from the Issuer.

Appendix III: Definition of Small and Medium Enterprises

Under the Enforcement Decree of The Framework Act on Small and Medium Enterprises,[8] a small and medium enterprise shall be a business entity that meets all the standards set forth in the following subparagraphs:

- The main type of business in which the business entity is engaged and its average sales or annual sales (hereinafter "average sales, etc.") shall meet the standards set forth in attached Table 1
- A corporation whose total assets are less than 500 billion won
- A business entity whose actual separation of its management and ownership does not fall under any of the following:
- A company that belongs to a conglomerate subject to restrictions on mutual investment, etc. under Article 14(1) of the Monopoly Regulation and Fair Trade Act (hereafter "conglomerate subject to restrictions on mutual investment, etc." in this subparagraph) or a company notified as a company incorporated as an affiliate into a conglomerate subject to restrictions on mutual investment, etc. pursuant to Article 14-3 of the same Act
- A corporation whose total assets are at least 500 billion won (including a foreign corporation, with the exception of a non-profit corporation and the one falling under any of the subparagraphs in Article 3-2(3)) which is the largest shareholder, directly or indirectly owning 30% or more of the total outstanding stocks, etc. The largest shareholder referred to in such cases means a corporation or an individual owning the largest share of the relevant company independently or jointly with any of the following, and Article 2(2) of the Enforcement Decree of the Adjustment of International Taxes Act shall apply mutatis mutandis to the calculation of the ratio of indirectly owned outstanding stocks, etc.:
    - If the shareholder is a corporation: Executive officers of the corporation; or

[8] https://elaw.klri.re.kr/eng_service/lawView.do?lang=ENG&hseq=32407

    - If the shareholder is an individual who does not fall under (i): Relatives by blood of such individual
- In the case of a corporation belonging to a related company, a corporation whose average sales, etc. calculated according to Article 7-4 does not satisfy the standards under attached Table 1
- A company which is excluded from the scope of a conglomerate under the control of the same person pursuant to Article 3-2(2)-4 of the Enforcement Decree of the Monopoly Regulation and Fair Trade Act and no more belongs to a conglomerate subject to restrictions on mutual investment, etc., and for which three years have passed from the date it meets the requirements under Article 3 of the same Enforcement Decree

Appendix IV:

The Group will look to utilize potential environmental and social impact reporting indicators as summarized below and further detailed within the ICMA Green Bond Principles Resource Centre. https://www.icmagroup.org/green-social-and-sustainability-bonds/resource-centre/#

Categories	Impact Indicators
Environmental Impact	• kWh of power generated from renewable energy • Tonnes of GHG avoided • Energy saved per year (kWh/year) • Energy reduction (%)
Social Impact	• Number of corporations financed by Eligible Use of Proceeds • Number of jobs created • Number and type of disadvantageous communities helped • Amount of credit distributed

TAXATION

Korean Taxation

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisers.

The taxation of non-resident individuals and non-Korean corporations ("Non-Residents") generally depends on whether they have a "Permanent Establishment" (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such relevant Korean source income is effectively connected. Non-Residents without such a Permanent Establishment in Korea are taxed in the manner described below. Non-Residents with such Permanent Establishment are taxed in accordance with different rules.

Income Tax and Corporation Tax on Interest

Interest on the Notes paid to Non-Residents (excluding payments to their Permanent Establishment in Korea) is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the "STTCL"), subject to the tax consequences with respect to Index Linked Notes set out in the applicable Pricing Supplement, so far as the Notes are "foreign currency denominated bonds" under the STTCL and the issuance of the Notes is deemed to be an overseas issuance under the STTCL. The term "foreign currency denominated bonds" in this context is not defined under the STTCL. In this regard, the Korean tax authority issued a ruling on September 1, 1990 to the effect that "Notes Issuance Facility, USCP, Euro CP and Banker's Acceptance, etc." are not treated as the "foreign currency denominated bonds."

If not exempt under STTCL, the rate of income tax or corporation tax applicable to interest or any premium on the Notes, for a Non-Resident without a Permanent Establishment in Korea, is currently 14.0%. In addition, a local income tax is imposed at the rate of 10.0% of the income tax or corporation tax (raising the total tax rate to 15.4%).

The tax is withheld by the payer of the interest.

The tax rates may be reduced by applicable tax treaty, convention or agreement between Korea and the country of the recipient of the interest. The relevant tax treaties are discussed below.

Index Linked Notes

A detailed description of the tax considerations relevant to Index Linked Notes will be provided in the applicable Pricing Supplement.

Capital Gains Tax

The Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a Permanent Establishment in Korea from the sale of the Notes to a Non-Resident (other than to its Permanent Establishment in Korea). In addition, capital gains earned by a Non-Resident with or without a Permanent Establishment from the transfer outside Korea of the Notes are currently exempt from taxation by virtue of STTCL, provided that the Notes are "foreign currency denominated bonds" under the STTCL and the issuance of the Notes is deemed to be an overseas issuance under the STTCL.

In the absence of an applicable tax treaty or any other special tax laws reducing or eliminating the capital gains tax, the applicable rate of tax is the lower of 11.0% (including local income tax) of the gross realization proceeds (the "Gross Realization Proceeds") and (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Notes) 22.0% (including local income tax) of the realized gain made. The realized gain is calculated as the Gross Realization Proceeds less the acquisition cost and certain direct transaction costs. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under the relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of securities of Korean companies.

The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from the tax under an applicable tax treaty or in the absence of the seller producing satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the Notes being sold, the purchaser or such withholding agent must withhold an amount equal to 11.0% (including local income tax) of the Gross Realization Proceeds. Any amounts withheld by the purchaser or such withholding agent must be paid to the relevant Korean tax authority no later than the 10th day of the month following the month in which the payment for the purchase of the relevant Notes occurred. Failure to transmit the withheld tax to the Korean tax authorities in time technically subjects the purchaser or the withholding agent to penalties under Korean tax laws and a Non-Resident who is liable for payment of any Korean tax on gains, either as a seller of Notes or as a purchaser or the withholding agent who is obliged to withhold such tax, is subject to the Korean tax authorities seeking enforcement through attachment of, or other legal proceedings against, payments due to it from its Korean investments and to enforcement against the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was a Korean resident (as such term is defined under Inheritance Tax and Gift Tax Law) and (b) all property located in Korea which passes on death (irrespective of the residence of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and vary according to the identity of the parties involved.

Under the Inheritance Tax and Gift Tax Law, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the Noteholders in connection with the issue of the Notes. A securities transaction tax will not be imposed on the transfer of the Notes.

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with *inter alia* Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America where under the rate of withholding tax on interest is reduced, generally to between 10% and 15% (including local income tax), and the tax on capital gains is often eliminated.

Each Noteholder should enquire for himself whether he is entitled to the benefit of a tax treaty with respect to this transaction. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the Issuer a certificate as to his residence. In the absence of sufficient proof, the Issuer must undertake to withhold taxes in accordance with the above discussion.

In order to claim the benefit of a reduced tax rate or tax exemption available under the applicable tax treaties, a Non-Resident holder must submit to the payer of such Korean-sourced income an application (for reduced withholding tax rate, "application for entitlement to reduced tax rate" and in the case of exemption from withholding tax, "application for tax exemption" under a tax treaty along with a certificate of the non-resident holder's tax residence issued by a competent authority of the Non-Resident holder's residence country) as the beneficial owner ("BO Application"). Such application should be submitted to the withholding agent prior to the payment date of the relevant income. Subject to certain exceptions, where the relevant income is paid to an overseas investment vehicle which is defined as an organization established in a foreign jurisdiction that manages funds collected through investment solicitation by way of acquiring, disposing of, or otherwise investing in proprietary targets and then distributes the outcome of such management to investors, ("OIV") and such OIV is not the beneficial owner of such income, a beneficial owner claiming the benefit of an applicable tax treaty with respect to such income must submit its BO Application to such OIV, which must submit an OIV report and a schedule of beneficial owners (together with the applicable BO Application and certificate of the non-resident holder's tax residence in case of exemption from withholding tax), to the withholding agent prior to the payment date of such income. In the case of an application for tax exemption, the withholding agent is required to submit such application (together with the applicable OIV report in the case of income paid to an OIV) to the relevant district tax office by the ninth day of the month following the date of the payment of such income. If there is no change in the contents of such application or OIV report, it is not required to submit such application or OIV report again within three years thereafter. Effective from January 1, 2020, an OIV that was not established for the purpose of unjustifiably reducing income tax liabilities in Korea and bears tax liabilities in the country of its residence is deemed to be a beneficial owner of Korean source income for income tax purposes. The benefits under a tax treaty between Korea and the country of such OIV's residence will apply with respect to the relevant income paid to such OIV, subject to certain application requirements as prescribed by the Corporate Income Tax Law or Individual Income Tax Law. However, this requirement does not apply to exemptions under Korean tax law.

At present, Korea has not entered into any tax treaties regarding its inheritance or gift tax.

U.S. Taxation

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder or a beneficial owner of a Registered Note that is a citizen or resident of the United States or a domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of such Note (a "U.S. Holder"). This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with U.S. Holders that will hold or beneficially own Registered Notes as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities electing to mark to market, entities or arrangements taxed as partnerships for U.S. federal income tax purposes or partners therein, persons that will hold such Notes as a position in a "straddle" or conversion transaction, or as part of a "synthetic security" or other integrated financial transaction, U.S. expatriates, nonresident alien individuals present in the United States for more than 182 days in a taxable year, persons that actually or constructively own 10% or more of the Issuer's stock, measured by vote or by value, or persons that have a "functional currency" other than the U.S. dollar. Any special U.S. federal income tax considerations relevant to a particular issue of Registered Notes, including any Index Linked Notes or Dual Currency Notes, will be provided in the applicable Pricing Supplement.

This summary addresses only U.S. federal income tax consequences, and does not address consequences arising under state, local, or foreign tax laws, the alternative minimum tax, the Medicare tax on net investment income or special rules for the taxable year of inclusion for accrual basis taxpayers under Section 451(b) of the Internal Revenue Code of 1986, as amended (the "Code"). Investors should consult their own tax advisers in determining the tax consequences to them of holding Registered Notes under such tax laws, as well as the application to their particular situation of the U.S. federal income tax considerations discussed below.

Payments of Interest

Payments of "qualified stated interest" (as defined under "*—Original Issue Discount*" below) on a Registered Note will be taxable to a U.S. Holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. Holder's method of tax accounting). If such payments of interest are made with respect to a Registered Note that is denominated in a single currency other than the U.S. dollar (a "Foreign Currency Note"), the amount of interest income realized by a U.S. Holder that uses the cash method of tax accounting will be the U.S. dollar value of the Specified Currency payment based on the exchange rate in effect on the date of receipt regardless of whether the payment is in fact converted into U.S. dollars. A U.S. Holder that uses the accrual method of accounting for tax purposes will accrue interest income on such Note in the Specified Currency and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. Holder's taxable year), or, at the accrual basis U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A U.S. Holder that makes such election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the U.S. Internal Revenue Service ("IRS"). A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Foreign Currency Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. Amounts attributable to pre-issuance accrued interest will generally not be includable in income, except to the extent of foreign currency gain or loss attributable to any changes in exchange rates during the period between the date the U.S. Holder acquired the Note and the first Interest Payment Date. This foreign currency gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on such Note.

Effect of Korean Withholding Taxes

As discussed in "*—Korean Taxation*" above, under current law payments of interest and original issue discount ("OID") on the Registered Notes to non-Korean investors may be subject to Korean withholding taxes. As discussed under "*Terms and Conditions of the Notes—Taxation*," the Issuer may be liable for the payment of additional amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no Korean withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having actually received the amount of Korean taxes withheld by the Issuer with respect to a Registered Note (including any amounts withheld in respect of additional amounts paid to offset such withholding), and as then having actually paid over the withheld taxes to the Korean taxing authorities. As a result, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest or OID may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income (provided that the U.S. Holder elects to deduct, rather than credit, all foreign income taxes paid or accrued for the relevant taxable year), for Korean income taxes withheld by the Issuer. Interest and additional amounts, if any, generally will constitute "passive category income" and will constitute income from sources without the United States, in each case for purposes of the foreign tax credit. The rules governing foreign tax credits are complex. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of Korean withholding taxes.

Purchase, Sale and Retirement of Registered Notes

A U.S. Holder's adjusted tax basis in a Registered Note generally will equal the cost of such Note to such holder, increased by any amounts included in income by the holder as OID and market discount and reduced by any amortized premium (each as described below) and any payments other than payments of qualified stated interest made on such Note. In the case of a Foreign Currency Note, the cost of such Note to a U.S. Holder will be the U.S. dollar value of the Specified Currency purchase price on the date of purchase. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to a U.S. Holder's adjusted tax basis in a Registered Note in respect of OID, market discount and premium denominated in a Specified Currency will be determined in the manner described under *"—Original Issue Discount" and "—Premium and Market Discount"* below. The conversion of U.S. dollars to a Specified Currency and the immediate use of the Specified Currency to purchase a Foreign Currency Note generally will not result in taxable gain or loss for a U.S. Holder.

Upon the sale, exchange or retirement of a Registered Note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any amount attributable to accrued qualified stated interest, which will be taxable as such) and the U.S. Holder's adjusted tax basis in such Note. If a U.S. Holder receives a currency other than the U.S. dollar in respect of the sale, exchange or retirement of a Registered Note, the amount realized will be the U.S. dollar value of the Specified Currency received calculated at the exchange rate in effect on the date of such sale, exchange or retirement. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis U.S. Holder (and if it so elects, an accrual basis U.S. Holder), will determine the U.S. dollar value of the amount realized by translating such amount at the spot rate on the settlement date of the sale. The election available to accrual basis U.S. Holders in respect of the purchase and sale of Foreign Currency Notes traded on an established securities market, discussed above, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to market discount, Short-Term Notes (as defined below) and foreign currency gain or loss, gain or loss recognized by a U.S. Holder generally will be capital gain or loss and will be long–term capital gain or loss if the U.S. Holder has held such Note for more than one year at the time of disposition. Long-term capital gains recognized by an individual U.S. Holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a U.S. Holder on the sale, exchange or retirement of a Foreign Currency Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the U.S. Holder held such Note. This foreign currency gain or loss will not be treated as an adjustment to interest income received on such Notes.

Capital gain or loss recognized by a U.S. holder generally will be U.S.-source gain or loss. Consequently, if any such gain is subject to Korean withholding tax, a U.S. Holder may not be able to credit the tax against its U.S. federal income tax liability unless the credit can be applied (subject to the applicable limitations) against tax due on other income treated as derived from foreign sources. U.S. Holders should consult their own tax advisors as to the foreign tax credit implications of a disposition of the Notes.

Original Issue Discount

If the Issuer issues Registered Notes at a discount from their stated redemption price at maturity (as defined below), and the discount is equal to or more than 0.25% of the stated redemption price at maturity of such Notes, multiplied by the number of full years to their maturity from the issue date, such Notes will be "Original Issue Discount Notes." The difference between the issue price and the stated redemption price at maturity of such Notes will be the OID. The "issue price" of such Notes will be the first price at which a substantial amount of such Notes are sold to the public (i.e., excluding sales of such Notes to underwriters, placement agents, wholesalers, or similar persons). The "stated redemption price at maturity" of such Notes will include all payments under such Notes other than payments of qualified stated interest. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments issued by the Issuer) at least annually during the entire term of such Note at a single fixed interest rate or, subject to certain conditions, based on one or more floating interest rates.

U.S. Holders of Original Issue Discount Notes generally will be subject to the special tax accounting rules for obligations issued with OID provided by the Code, and certain regulations promulgated thereunder (the "OID Regulations"). U.S. Holders of such Notes should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

In general, each U.S. Holder of an Original Issue Discount Note, whether such U.S. Holder uses the cash or the accrual method of tax accounting, will be required to include in gross income as ordinary income the sum of the "daily portions" of OID on such Note for all days during the taxable year that the U.S. Holder owns such Note. The daily portions of OID on an Original Issue Discount Note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be any length and may vary in length over the term of an Original Issue Discount Note, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. In the case of an initial holder, the amount of OID on an Original Issue Discount Note allocable to each accrual period is determined by (a) multiplying the "adjusted issue price" (as defined below) of the Original Issue Discount Note at the beginning of the accrual period by the yield to maturity of such Original Issue Discount Note (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that the sum of the amount (if any) of qualified stated interest allocable to that accrual period. The yield to maturity of such Note is the discount rate that causes the present value of all payments on such Note as of its original issue date to equal the issue price of such Note. The "adjusted issue price" of an Original Issue Discount Note at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to such Note in all prior accrual periods. In the case of an Original Issue Discount Note that is a Floating Rate Note, both the "yield to maturity" and "qualified stated interest" will generally be determined for these purposes as though the Original Issue Discount Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on such Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield that is reasonably expected for such Note. (Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index.) As a result of this "constant yield" method of including OID in income, the amounts includible in income by a U.S. Holder in respect of an Original Issue Discount Note denominated in U.S. dollars generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

A U.S. Holder generally may make an irrevocable election to include in its income its entire return on a Registered Note (i.e., the excess of all remaining payments to be received on such Note, including payments of qualified stated interest, over the amount paid by such U.S. Holder for such Note) under the constant-yield method described above. For Registered Notes purchased at a premium or bearing market discount in the hands of the U.S. Holder, the U.S. Holder making such election will also be deemed to have made the election (discussed in "*—Premium and Market Discount*" below) to amortize premium or to accrue market discount in income currently on a constant-yield basis.

In the case of an Original Issue Discount Note that is also a Foreign Currency Note, a U.S. Holder should determine the U.S. dollar amount includible in income as OID for each accrual period by (a) calculating the amount of OID allocable to each accrual period in the Specified Currency using the constant-yield method described above, and (b) translating the amount of the Specified Currency so derived at the average exchange rate in effect during that accrual period (or portion thereof within a U.S. Holder's taxable year) or, at the U.S. Holder's election (as described under "*—Payments of Interest*" above), at the spot rate of exchange on the last day of the accrual period (or, if the accrual period spans more than one taxable year, at the spot rate on the last day of the first taxable year for the OID accruing in the portion of the accrual period ending on such date and at the spot rate on the last date of the accrual period for the remaining OID accruing during such accrual period), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. Because exchange rates may fluctuate, a U.S. Holder of an Original Issue Discount Note that is also a Foreign Currency Note may recognize a different amount of OID income in each accrual period than would the holder of an otherwise similar Original Issue Discount Note denominated in U.S. dollars. All payments on an Original Issue Discount Note (other than payments of qualified stated interest) will generally be viewed first as payments of previously-accrued OID (to the extent thereof), with payments attributed first to the earliest-accrued OID, and then as payments of principal. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the Original Issue Discount Note), a U.S. Holder will recognize ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Original Issue Discount Note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

A subsequent U.S. Holder of an Original Issue Discount Note that purchases such Note at a cost less than its remaining redemption amount (as defined below), or an initial U.S. Holder that purchases an Original Issue Discount Note at a price other than such Note's issue price, also generally will be required to include in gross income the daily portions of OID, calculated as described above. However, if the U.S. Holder acquires the Original Issue Discount Note at a price greater than its adjusted issue price but no greater than its remaining redemption amount, such U.S. Holder must reduce its periodic inclusions of OID income to reflect the premium paid over the adjusted issue price. The "remaining redemption amount" for such Note is the total of all future payments to be made on such Note other than payments of qualified stated interest.

Floating Rate Notes generally will be treated as "variable rate debt instruments" under the OID Regulations. Accordingly, the stated interest on a Floating Rate Note generally will be treated as "qualified stated interest" and such Note will not have OID solely as a result of the fact that it provides for interest at a variable rate. If a Floating Rate Note does not qualify as a "variable rate debt instrument," such Note will be subject to special rules (the "Contingent Payment Regulations") that govern the tax treatment of debt obligations that provide for contingent payments ("Contingent Debt Obligations"). A detailed description of the tax considerations relevant to U.S. Holders of any such Notes will be provided in the applicable Pricing Supplement.

Certain of the Registered Notes may be subject to special redemption, repayment or interest rate reset features, as indicated in the applicable Pricing Supplement. Registered Notes containing such features, in particular Original Issue Discount Notes, may be subject to special rules that differ from the general rules discussed above. Purchasers of Registered Notes with such features should carefully examine the applicable Pricing Supplement and should consult their own tax advisers with respect to such Notes since the tax consequences with respect to such features, and especially with respect to OID, will depend, in part, on the particular terms of such purchased Notes.

If a Note provides for a scheduled Accrual Period that is longer than one year (for example, as a result of a long initial period on a Note with interest that is generally paid on an annual basis), then stated interest on the Note will not qualify as "qualified stated interest" under the applicable Treasury Regulations. As a result, the Note would be an Original Issue Discount Note. In that event, among other things, cash-method U.S. Holders will be required to accrue stated interest on the Note under the rules for OID described above, and all U.S. Holders will be required to accrue OID that would otherwise fall under the de minimis threshold.

Premium and Market Discount

A U.S. Holder of a Registered Note that purchases such Note at a cost greater than its remaining redemption amount (as defined under "*—Original Issue Discount*" above) will be considered to have purchased the Registered Note at a premium, and may elect to amortize such premium (as an offset to interest income), using a constant-yield method, over the remaining term of such Note. Such election, once made, generally applies to all bonds held or subsequently acquired by the U.S. Holder on or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A U.S. Holder that elects to amortize such premium must reduce its tax basis in a Registered Note by the amount of the premium amortized during its holding period. Original Issue Discount Notes purchased at a premium over the redemption amount will not be subject to the OID rules described above. In the case of premium in respect of a Foreign Currency Note, a U.S. Holder should calculate the amortization of such premium in the Specified Currency. Amortization deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the exchange rate used by the U.S. Holder for such interest payments. Exchange gain or loss will be realized with respect to amortized bond premium on such Note based on the difference between the exchange rate on the date or dates such premium is recovered through interest payments on such Note and the exchange rate on the date on which the U.S. Holder acquired such Note. With respect to a U.S. Holder that does not elect to amortize bond premium, the amount of bond premium will be included in the U.S. Holder's tax basis when such Note matures or is disposed of by the U.S. Holder.

Therefore, a U.S. Holder that does not elect to amortize such premium and that holds such Note to maturity generally will be required to treat the premium as capital loss when such Note matures.

If a U.S. Holder of a Registered Note purchases such Note at a price that is lower than its remaining redemption amount, or in the case of an Original Issue Discount Note, a price that is lower than its adjusted issue price, by at least 0.25% of its remaining redemption amount or adjusted issue price, respectively, multiplied by the number of remaining whole years to maturity, such Note will be considered to have "market discount" in the hands of such U.S. Holder. In such case, gain realized by the U.S. Holder on the disposition of such Note generally will be treated as ordinary income to the extent of the market discount that accrued on such Note while held by such U.S. Holder. In addition, the U.S. Holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry such Note. In general terms, market discount on a Registered Note will be treated as accruing ratably over the term of such Note, or, at the election of the U.S. Holder, under a constant yield method. Market discount on a Foreign Currency Note will be accrued by a U.S. Holder in the Specified Currency. The amount includible in income by a U.S. Holder in respect of such accrued market discount will be the U.S. dollar value of the amount accrued, generally calculated at the exchange rate in effect on the date that such Note is disposed of by the U.S. Holder.

A U.S. Holder may elect to include market discount in income on a current basis as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realized on a sale of a Registered Note as ordinary income. If a U.S. Holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any accrued market discount on a Foreign Currency Note that is currently includible in income will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Any such election, if made, applies to all market discount bonds acquired by the taxpayer on or after the first day of the first taxable year to which such election applies and is revocable only with the consent of the IRS.

Short-Term Notes

The rules set forth above will also generally apply to Registered Notes having maturities of not more than one year ("Short-Term Notes"), but with certain modifications.

First, the OID Regulations treat none of the interest on a Short-Term Note as qualified stated interest. Thus, all Short-Term Notes will be Original Issue Discount Notes. OID will be treated as accruing on a Short-Term Note ratably or, at the election of a U.S. Holder, under a constant yield method.

Second, a U.S. Holder of a Short-Term Note that uses the cash method of tax accounting and is not a bank, securities dealer, regulated investment company or common trust fund, and does not identify the Short-Term Note as part of a hedging transaction, will generally not be required to include OID in income on a current basis. Such a U.S. Holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the maturity of such Note or its earlier disposition in a taxable transaction. In addition, such a U.S. Holder will be required to treat any gain realized on a sale, exchange or retirement of such Note as ordinary income to the extent such gain does not exceed the OID accrued with respect to such Note during the period the U.S. Holder held such Note. Notwithstanding the foregoing, a cash-basis U.S. Holder of a Short-Term Note may elect to accrue OID into income on a current basis or to accrue the "acquisition discount" on the Note under the rules described below. If the U.S. Holder elects to accrue OID or acquisition discount, the limitation on the deductibility of interest described above will not apply.

A U.S. Holder using the accrual method of tax accounting and certain cash-basis U.S. Holders (including banks, securities dealers, regulated investment companies and common trust funds) generally will be required to include OID on a Short-Term Note in income on a current basis. Alternatively, a U.S. Holder of a Short-Term Note can elect to accrue the "acquisition discount," if any, with respect to such Note on a current basis. If such an election is made, the OID rules will not apply to the Note. Acquisition discount is the excess of the remaining redemption amount of the Notes at the time of acquisition over the purchase price. Acquisition discount will be treated as accruing ratably or, at the election of the U.S. Holder, under a constant-yield method based on daily compounding.

Finally, the market discount rules will not apply to a Short-Term Note.

Subordinated Notes

Characterization of the Subordinated Notes

No statutory, judicial or administrative authority directly addresses the characterization of the Subordinated Notes or instruments with a similar write-off feature. As a result, significant aspects of the U.S. federal income tax consequences of an investment in the Subordinated Notes are uncertain. Notwithstanding their legal form as debt, the Issuer may treat certain Subordinated Notes as equity for U.S. federal income tax purposes (and not as debt). In general, under the U.S. Internal Revenue Code, the characterization of an instrument for U.S. federal income tax purposes as debt or equity of a corporation by its issuer as of the time of issuance is binding on a holder unless the holder discloses on its tax return that it is taking an inconsistent position. The issuer's characterization, however, is not binding on the

IRS. We will describe the Issuer's belief as to the appropriate characterization of the Subordinated Notes in the applicable Pricing Supplement. Even if the Issuer believes that the Subordinated Notes should be treated as equity, the IRS may disagree and treat such Subordinated Notes as debt for U.S. federal income tax purposes. If the Subordinated Notes were so treated, the Subordinated Notes may be treated as a Contingent Debt Obligation, with the consequences, among others, that (i) a U.S. Holder would be required to accrue interest on the Subordinated Notes even if it otherwise uses the cash method of accounting for U.S. federal income tax purposes, (ii) the amount of interest that must be accrued in any period may differ from the amount of stated interest accruing in that period, and (iii) gain from the sale, exchange or redemption of the Subordinated Notes would be ordinary income. Prospective investors should consult their tax advisors as to the tax consequences to them if the Subordinated Notes were characterized as debt for U.S. federal income tax purposes.

Equity Treatment

The general discussion below applies to Subordinated Notes that are equity for U.S. federal income tax purposes.

Payments of Interest. Subject to the discussion below under "*—PFIC Rules*," payments of stated interest on Subordinated Notes (including any tax withheld and additional amounts paid in respect thereof) will be treated as distributions on stock of the Issuer and as dividends to the extent paid out of current or accumulated earnings and profits of the Issuer, as determined under U.S. federal income tax principles. Because the Issuer does not expect to be able to determine its earnings and profits under U.S. federal income tax principles, it is expected that distributions paid to U.S. Holders generally will be reported as dividends. Payments received by a U.S. Holder that are treated as dividends generally will not be eligible for the dividends received deduction. Accrual method holders generally will take such dividends into account when paid.

Subject to certain exceptions for short-term and hedged positions and the discussion below under "*—PFIC Rules*," the U.S. dollar amount of dividends received by an individual generally will be subject to taxation at reduced rates if the dividends are "qualified dividends." Dividends on the Subordinated Notes may be eligible to be a qualified dividend, although there is uncertainty as to whether a sufficient holding period will apply for the application of the qualified dividend rules to instruments such as Subordinated Notes that are treated as equity for U.S. federal income tax purposes but have the legal form of debt including creditor remedies for lack of payment. If dividends on the Subordinated Notes are treated as eligible for qualified dividend treatment, it is possible that short-term capital loss realized by a U.S. Holder on the Subordinated Notes will be converted into long-term capital loss to the extent of any qualified dividend payments that exceed 5% of its basis in the Subordinated Notes (taking into account certain aggregation rules). U.S. Holders should consult their own tax advisors as to the treatment of such dividends.

Sale, Exchange, Redemption or Write-off. Subject to the discussion below under "*—PFIC Rules*," a U.S. Holder will recognize capital gain or loss upon the sale, exchange, redemption or write-off of Subordinated Notes in an amount equal to the difference between the amount realized on such disposition (or zero in the case of a write-off) and the U.S. Holder's adjusted tax basis in the Subordinated Notes. A U.S. Holder's tax basis in a Subordinated Note generally will be the price it paid for the Note. Any capital gain or loss will be long term if the Subordinated Notes have been held for more than one year. The deductibility of capital losses is subject to limitations.

PFIC Rules. Special U.S. federal income tax rules apply to U.S. Holders owning shares of a "passive foreign investment company" (a "PFIC"). If the Issuer is treated as a PFIC for any year, U.S. Holders may be subject to adverse tax consequences upon a sale, exchange or other disposition of the Subordinated Notes, or upon the receipt of certain "excess distributions" in respect of the Subordinated Notes. Dividends paid by a PFIC are not qualified dividends eligible to be taxed at preferential rates. A detailed description of the Issuer's PFIC status will be provided in the applicable Pricing Supplement.

Index Linked Notes and Other Notes Providing for Contingent Payments

The Contingent Payment Regulations, which govern the tax treatment of Contingent Debt Obligations, generally require accrual of interest income on a constant-yield basis in respect of such obligations at a yield determined at the time of their issuance, and may require adjustments to such accruals when any contingent payments are made. A detailed description of the tax considerations relevant to U.S. Holder of any Contingent Debt Obligations will be provided in the applicable Pricing Supplement.

Occurrence of a Benchmark Transition Event for Floating Rate Notes Linked to or Referencing a Benchmark

If a Benchmark Transition Event occurs, a U.S. Holder holding Floating Rate Notes linked to or referencing a Benchmark, including LIBOR, EURIBOR and any other IBOR, may be deemed to exchange such Floating Rate Notes for new notes under Section 1001 of the Code, which may be taxable to such U.S. Holder. Recently released proposed U.S. Treasury Regulations, which are not yet in effect but upon which taxpayers may rely, provide that in certain circumstances, the replacement of a Benchmark with a qualifying reference rate would not result in a deemed exchange under Section 1001 of the Code. U.S. Holders should consult with their own tax advisers regarding the potential consequences of a Benchmark Transition Event.

Information Reporting and Backup Withholding

Information returns will be filed with the IRS with respect to payments made to, OID accrued in respect of, and the proceeds of dispositions of Notes effected by, certain U.S. Holders of Registered Notes. In addition, certain U.S. Holders may be subject to backup withholding in respect of such payments if they do not provide their taxpayer identification numbers or certification of their exempt status to the Paying Agent or fail to comply with applicable certification requirements. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Information with Respect to Foreign Financial Assets

Individual U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 on the last day of the taxable year or U.S.$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the Registered Notes) that are not held in accounts maintained by financial institutions.

Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria.

U.S. Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisers concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

Foreign Currency Notes and Reportable Transactions

A U.S. Holder that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules are not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss relating to a Foreign Currency Note as a reportable transaction if the loss exceeds US$50,000 in a single taxable year if the U.S. Holder is an individual or trust, or higher amounts for other U.S. Holders. In the event the acquisition, ownership or disposition of a Foreign Currency Note constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment to the IRS, currently on Form 8886. Prospective purchasers should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Foreign Currency Notes.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of U.S. law, commonly known as "FATCA," holders and beneficial owners of the Notes may be required to provide a financial institution in the chain of payments on the

Notes information and tax documentation regarding their identities, and in the case of a holder that is an entity, the identities of their direct and indirect owners, and this information may be reported to relevant tax authorities, including the IRS. Moreover, the Issuer and other non-U.S. financial institutions through which payments are made, may be required to withhold U.S. tax at a 30% rate on foreign passthru payments (a term not yet defined) paid to an investor who does not provide information sufficient for the institution to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the institution, or to an investor that is, or holds the Notes directly or indirectly through, a non-U.S. financial institution that is not in compliance with FATCA. However, under proposed U.S. Treasury Regulations, such withholding would not apply to foreign passthru payments prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. A number of jurisdictions (including Korea) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, is not clear at this time. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, as noted above, under proposed U.S. Treasury Regulations, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes that have a fixed term and are not treated as equity for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from grandfathered Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including grandfathered Notes, as subject to withholding under FATCA. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, neither the Issuer nor any Paying Agent nor any other person will be required to pay additional amounts as a result of the withholding. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

UNITED STATES ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by employee benefit plans that are subject to Title I of ERISA, plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or Similar Law, and entities whose underlying assets are considered to include "plan assets" of such plans, accounts and arrangements.

ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (defined as "parties in interest" or "disqualified persons" under ERISA and the Code, respectively) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes are acquired by a Plan with respect to which any of the Issuer, the Arranger, the Dealers or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire the Notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction. By its purchase of any Notes (or an interest in the Notes) whether in the case of the initial purchase or in the case of a subsequent transfer, the purchaser thereof will be deemed to have represented and agreed that either (i) it is not and is not acting on behalf of, and for so long as it holds the Notes (or an interest in the Notes), will not be and will not be acting on behalf of, an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to Similar Law, or (ii) its purchase and holding of the Notes (or an interest in the Notes) will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any Similar Law) for which an exemption is not available.

Governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) and other non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code or Similar Law to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA, the Code or Similar Law.

The sale of the Notes to a Plan is in no respect a representation by the Issuer or the Dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan. Any Plan that purchases or holds a Notes will agree by its purchase or holding of a Notes that neither the

Issuer, the Dealer or any of their affiliates has provided any investment advice or recommendations with respect to the purchase, holding or any subsequent sale or transfer of the Notes and that the Plan's decision to purchase and hold a Notes was made by a fiduciary to the Plan that acted independently and with the expertise needed to make such decision on behalf of the Plan.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-Entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("DTC Notes") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("Owners") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct

Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for Definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*."

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("CMU Members") of capital markets instruments ("CMU Notes") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorized institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike Euroclear and Clearstream, Luxembourg), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Notes. Instead, the HKMA advises the lodging CMU

Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Notes are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-Entry Ownership of and Payments in Respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*," cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("Custodian") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date ("T+3"). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have in an amended and restated programme agreement dated May 10, 2019 (as amended, supplemented and/or restated from time to time, the "Programme Agreement") agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*" above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilize, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market.

The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilizing or other transactions. Such transactions, if commenced, may be discontinued at any time. Under U.K. laws and regulations stabilizing activities may only be carried on by the Stabilization Manager named in the applicable Pricing Supplement and must end no later than the earlier of 30 days following the Issue Date of the relevant Tranche of Notes and 60 days following the date of the allotment of the relevant Tranche of Notes.

Certain Relationships

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with, and perform services for, the Issuer or its affiliates in the ordinary course of business. The Dealers and certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers and their respective affiliates may purchase Notes for their own accounts and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Issuer or its subsidiaries or associates, at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or Subscription and Sale and Transfer and Selling Restrictions; (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter; or (c) it is outside the United States and is not a U.S. person;

(ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;

(iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

(v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(vi) each purchaser or transferee will be deemed to represent and agree that by its purchase of any Notes (or an interest in the Notes) that either (i) it is not and is not acting on behalf of, and for so long as it holds the Notes (or an interest in the Notes), will not be and will not be acting on behalf of, an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to Similar Law, or (ii) its purchase and holding of the Notes (or an interest in the Notes) will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any Similar Law) for which an exemption is not available and that neither the Issuer, the Dealer or any of their affiliates has provided any investment advice or recommendations with respect to the purchase, holding or any subsequent sale or transfer of the Notes (or any interest therein) and that the ERISA Plan or Plan's decision to purchase and hold a Note (or any interest therein) was made by a fiduciary to the ERISA Plan or Plan that acted independently and with the expertise needed to make such decision on behalf of the ERISA Plan or Plan;

(vii) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN

INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN INSTITUTIONAL ACCREDITED INVESTOR); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(viii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. state securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART."; and

(ix) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form. See "*Form of the Notes*."

The IAI Investment Letter will state, among other things, the following:

(i) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;

(ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;

(iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

(iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

(v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and

(vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$100,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$100,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or, in the case of

Bearer Notes, deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Principal Paying Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Programme Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular by any non-U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer with respect thereto, is unauthorized and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer, is prohibited.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

  (i) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (ii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"); and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (each, a "Relevant State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the final terms in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

a) the expression "retail investor" means a person who is one (or more) of the following:

   i. a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA");

   ii. a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

   iii. not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"): Unless otherwise stated in the Pricing Supplement in respect of any Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

Each Dealer has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Korea

The Notes have not been and will not be registered under the Financial Investment Services and the Capital Markets Act of Korea.

Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) in respect of the Notes relying on the exemption as set out in Article 2-2-2, Paragraph 2, Item 3 of the Securities Issuance and Disclosure Regulations promulgated by the Financial Services Commission of Korea, during the first year after the issuance of the Notes, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined under the Foreign Exchange Transactions Law of Korea and the regulations thereunder) other than a "qualified institutional buyer" (a "Korean QIB," as defined in the Securities Issuance and Disclosure Regulations) who is registered with the Korea Financial Investment Association (the "KOFIA") as a Korean QIB, provided that (a) the Notes are denominated, and the principal and interest payments thereunder are made, in a currency other than Korean won, (b) the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes, (c) the Notes are listed on one of the major overseas securities markets designated by the Financial Supervisory Service of Korea, or certain procedures, such as registration or report with a foreign financial investment regulator, have been completed for offering of the Notes in a major overseas securities market, (d) the one-year restriction on offering, delivering or selling of Notes to a Korean resident other than a Korean QIB is expressly stated in the Notes, the relevant purchase agreement and offering circular and (e) the Issuer and the Dealers shall individually or collectively keep the evidence of fulfilment of conditions (a) through (d) above after having taken necessary actions therefor, except as otherwise permitted by applicable Korean laws and regulations; and

(ii) in respect of the Notes relying on the exemption as set out in Article 2-2-2, Paragraph 2 (other than Item 3), of the Securities Issuance and Disclosure Regulations promulgated by the Financial Services Commission of Korea, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined under the Foreign Exchange Transactions Law of Korea and the regulations thereunder), except as otherwise permitted by applicable Korean laws and regulations.

Each Dealer has undertaken, and each further Dealer appointed under the Programme will be required to undertake, to ensure that any securities dealer to which it sells Notes confirms that it is purchasing such Notes as principal and agrees with such Dealer that it will comply with the restrictions described above.

Canada

Prospective Canadian investors are advised that the information contained within this Offering Circular, and additionally, the relevant final terms or any other offering material relating to the Notes has not been prepared with regard to matters that may be of particular concern to Canadian investors.

Accordingly, prospective Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within this Offering Circular, the relevant final terms or any other offering material relating to the Notes and as to the suitability of an investment in the Notes in their particular circumstances.

The offer and sale of the Notes in Canada will only be made under exemptions from the requirement to file a prospectus with the Canadian securities regulators and will be made only by authorized dealer representatives that are properly registered under the laws of the relevant Canadian jurisdictions or, alternatively, that are entitled to rely on exemptions from the dealer registration requirements in the relevant Canadian jurisdictions.

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in NI 45-106 or subsection 73.3(1) of the Securities Act (Ontario), and that are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular, the relevant final terms or any other offering material constituting an "offering memorandum" under applicable Canadian securities laws (including any amendment to any such documents) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with an offering of Notes.

The Issuer hereby notifies prospective Canadian purchasers that: (a) it may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Notes purchased) ("personal information"), which Form 45-106F1 may be required to be filed by the Issuer under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the "OSC") in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 5933684. Prospective Canadian purchasers that purchase Notes in this offering will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this Offering Circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Notes described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de cette prospectus de base, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

If a jurisdiction requires that any offering of Notes under the Programme be made by a licensed broker or dealer and any Dealer or any affiliate of a Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

GENERAL INFORMATION

Authorization

The establishment of the Programme was duly authorized by a resolution of the Board of Directors of the Issuer on December 28, 1995, and the most recent update to the Programme was authorized by the General Manager of the Capital Markets Department of the Issuer on March 24, 2021. Each issue of Notes under the Programme will be authorized by the Board of Directors of the Issuer at the time of issue or at a meeting held annually to approve the issue of Notes to be issued in the following fiscal year.

Listing of Notes on the Singapore Stock Exchange

Approval in-principle has been received from the Singapore Stock Exchange in connection with the Programme and application will be made for the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed, at or prior to the time of issue thereof, to be so listed and quoted on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange.

For so long as any Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a Global Note is exchanged for Definitive Notes, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for Definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the Singapore Stock Exchange, and such announcement will include all material information with respect to the delivery of the Definitive Notes, including details of the Paying Agent in Singapore.

Documents Available

From the date hereof and so long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

(i) the constitutional documents (together with English translations) of the Issuer;

(ii) the audit reports and the audited consolidated and separate financial statements of the Issuer in respect of the financial years ended December 31, 2018, 2019 and 2020 (together with English translations);

(iii) the most recently published (if available) audited consolidated annual financial statements of the Issuer and the most recently published interim financial statements of the Issuer (together with English translations);

(iv) the Programme Agreement, the Agency Agreement, the Deed Poll, the Deed of Covenant, the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(v) a copy of this Offering Circular;

(vi) any future offering circulars, prospectuses, information memoranda and supplements, including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Principal Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

The Issuer's audited separate financial statements in respect of the financial years ended December 31, 2020 and 2019 are also available at https://www.sec.gov/Archives/edgar/data/0001445930/000119312521074364/d138921d6k.htm#tx138921_2 while the Issuer's audited separate financial statements in respect of the financial years ended December 31, 2019 and 2018 are also available at https://www.sec.gov/Archives/edgar/data/0001445930/000119312520063824/d850856d6k.htm#tx850856_31.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg, along with the Issuer's LEI (549300XXMOJSIW8P4769), will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

Significant or Material Change

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer and its subsidiaries since December 31, 2020 and there has been no material adverse change in the financial position or prospects of the Issuer and its subsidiaries since December 31, 2020.

Litigation

Save as disclosed in this Offering Circular, the Issuer nor any of its subsidiaries is or has been involved in any legal, arbitration, administrative or other proceedings, which might have or have had in the recent past (covering at least the previous 12 months preceding the date of this document) a significant effect on the financial position or the operations of the Issuer and its subsidiaries nor is the Issuer aware of any such proceedings pending or being threatened.

Independent Auditors

The Issuer's consolidated financial statements as of and for the year ended December 31, 2020 has been audited by KPMG Samjong Accounting Corp., independent auditors, as stated in their reports included elsewhere in this Offering Circular, which contains an emphasis of matter paragraph regarding estimation uncertainty due to COVID-19 pandemic.

The Issuer's consolidated financial statements as of and for the years ended December 31, 2019 and 2018 have been audited by Samil PricewaterhouseCoopers, independent auditors, as stated in their report included elsewhere in this Offering Circular.

INDEX TO FINANCIAL STATEMENTS

KPMG Samjong Accounting Corp.

P.O.Box
Kangnam 1989

Gangnam Finance Center 27th Fl.,
152, Teheran-ro, Gangnam-ku
Seoul 06134
Republic of Korea

Tel 82-2-2112-0100
Fax 82-2-2112-0101
www.kr.kpmg.com

Independent Auditors' Report

To the Shareholder and Board of Directors
Kookmin Bank

Opinion
We have audited the consolidated financial statements of Kookmin Bank and its subsidiaries (collectively the "Group"), which comprise the statement of financial position as of December 31, 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

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

Emphasis of Matter
As described in note 37.6 (b) to the consolidated financial statements, the ongoing COVID-19 pandemic has a negative impact on the global economy and increased uncertainty in estimation of the Group's expected credit losses on certain portfolios and potential impairment on assets, which might adversely affect the Group's ability to generate revenue. Our opinion is not modified in respect of this matter.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 8, 2021

This report is effective as of March 8, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

(In millions of Korean won)	**Notes**	**2020**	**2019**
Assets			
Cash and due from financial institutions	4,6,7,36	19,972,269	14,481,309
Financial assets at fair value through profit or loss	4,6,8,12	16,042,357	13,866,303
Derivative financial assets	4,6,9	4,456,668	2,317,425
Loans measured at amortized cost	4,6,8,10,11	327,332,495	293,531,433
Financial investments	4,6,8,12	58,286,482	52,419,293
Investments in associates	13	441,325	564,711
Property and equipment	8,14	4,041,894	3,784,374
Investment property	14	318,101	475,968
Intangible assets	15	962,654	268,731
Current income tax assets	32	47,847	13,904
Deferred income tax assets	16,32	58,339	2,263
Assets held for sale	17	197,727	6,941
Other assets	4,6,18	6,285,956	5,692,383
Total assets		438,444,114	387,425,038
Liabilities			
Financial liabilities at fair value through profit or loss	4,6	141,277	80,235
Derivative financial liabilities	4,6,9	4,282,364	2,168,982
Deposits	4,6,19	330,352,491	300,917,482
Borrowings	4,6,20	26,870,831	19,141,262
Debentures	4,6,21	26,969,584	18,739,992
Provisions	22	388,014	311,140
Net defined benefit liabilities	23	165,402	179,110
Current income tax liabilities	32	37,481	8,338
Deferred income tax liabilities	16,32	346,850	248,652
Other liabilities	4,6,24,30	18,481,746	16,625,612
Total liabilities		408,036,040	358,420,805
Equity			
Capital stock	25	2,021,896	2,021,896
Hybrid securities	25	574,523	574,523
Capital surplus	25	4,808,482	5,219,704
Accumulated other comprehensive income	25,34	494,445	123,334
Retained earnings	25,33,34	22,243,552	21,064,776
(Provision of regulatory reserve for credit losses			
December 31, 2020 : ₩ 2,441,875 million			
December 31, 2019 : ₩ 2,291,019 million)			
(Amounts estimated to be appropriated			
December 31, 2020 : ₩ 92,526 million			
December 31, 2019 : ₩ 150,856 million)			
Equity attributable to the shareholder of the Parent Company		30,142,898	29,004,233
Non-controlling interests		265,176	-
Total equity		30,408,074	29,004,233
Total liabilities and equity		438,444,114	387,425,038

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

(In millions of Korean won)	**Notes**	**2020**	**2019**
Interest income		10,456,165	10,779,948
Interest income from financial instruments at fair value through other comprehensive income and amortized cost		10,265,173	10,568,018
Interest income from financial instruments at fair value through profit or loss		190,992	211,930
Interest expense		(3,701,399)	(4,416,161)
Net interest income	26	6,754,766	6,363,787
Fee and commission income		1,449,687	1,483,362
Fee and commission expense		(381,765)	(350,066)
Net fee and commission income	27	1,067,922	1,133,296
Net gains on financial instrument at fair value through profit or loss	28	244,183	422,624
Net other operating expenses	29	(230,206)	(600,639)
General and administrative expenses	14,15,23,30,40	(4,201,346)	(3,887,419)
Operating profit before provision for credit losses		3,635,319	3,431,649
Provision for credit losses	7,11,12,18,22	(484,182)	(103,530)
Operating profit		3,151,137	3,328,119
Share of profit (loss) of investments in associates	13	(48,158)	29,240
Net other non-operating income (expenses)	31	28,844	(38,887)
Net non-operating expenses		(19,314)	(9,647)
Profit before income tax expense		3,131,823	3,318,472
Income tax expense	32	(812,304)	(879,393)
Profit for the period		2,319,519	2,439,079
(Adjusted profit after provision of regulatory reserve for credit losses	25		
2020 : ₩ 2,205,669 million			
2019 : ₩ 2,288,223 million)			
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	23	(4,166)	(40,369)
Net gains (losses) on equity instruments at fair value through other comprehensive income		666,641	(17,151)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(154,972)	26,271
Net gains on debt instruments at fair value through other comprehensive income		30,750	34,275
Share of other comprehensive income (loss) of associates		(6,978)	7,546
Gains (Losses) on hedging instruments of net investments in foreign operations	9	61,329	(6,267)
Gains (Losses) on cash flow hedging instruments	9	(6,382)	(15,230)
Other comprehensive income(loss) for the period, net of tax	34	586,222	(10,925)
Total comprehensive income for the period		2,905,741	2,428,154
Profit attributable to:			
Shareholder of the Parent Company		2,298,195	2,439,079
Non-controlling interests		21,324	-
		2,319,519	2,439,079
Total comprehensive income for the period attributable to:			
Shareholder of the Parent Company		2,905,953	2,428,154
Non-controlling interests		(212)	-
		2,905,741	2,428,154

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

Kookmin Bank and Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2020 and 2019

(In millions of Korean won)	Notes	Capital Stock	Hybrid Securities	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Non-controlling Interests	Total Equity
		Attributable to the shareholder of the Parent Company						
Balance at January 1, 2019		2,021,896	-	5,218,788	115,784	19,311,398	-	26,667,866
Comprehensive income for the period								
Profit for the period		-	-	-	-	2,439,079	-	2,439,079
Remeasurements of net defined benefit liabilities		-	-	-	(40,369)	-	-	(40,369)
Net losses on equity instruments at fair value through other comprehensive income		-	-	-	1,324	(18,475)	-	(17,151)
Exchange differences on translating foreign operations		-	-	-	26,271	-	-	26,271
Net gains on debt instruments at fair value through other comprehensive income		-	-	-	34,275	-	-	34,275
Share of other comprehensive income of associates		-	-	-	7,546	-	-	7,546
Losses on hedging instruments of net investments in foreign operations		-	-	-	(6,267)	-	-	(6,267)
Losses on cash flow hedging instruments		-	-	-	(15,230)	-	-	(15,230)
Total comprehensive income for the period		-	-	-	7,550	2,420,604	-	2,428,154
Transactions with the shareholder								
Annual dividends		-	-	-	-	(667,226)	-	(667,226)
Issuance of hybrid securities		-	574,523	-	-			574,523
Changes in ownership of subsidiaries		-	-	916	-	-	-	916
Total transactions with the shareholder		-	574,523	916	-	(667,226)	-	(91,787)
Balance at December 31, 2019		2,021,896	574,523	5,219,704	123,334	21,064,776	-	29,004,233
Balance at January 1, 2020		2,021,896	574,523	5,219,704	123,334	21,064,776	-	29,004,233
Comprehensive income for the period								
Profit for the period		-	-	-	-	2,298,195	21,324	2,319,519
Remeasurements of net defined benefit liabilities		-	-	-	(4,111)	-	(55)	(4,166)
Net gains on equity instruments at fair value through other comprehensive income		-	-	-	429,994	236,647	-	666,641
Exchange differences on translating foreign operations		-	-	-	(134,469)	-	(20,503)	(154,972)
Net gains on debt instruments at fair value through other comprehensive income		-	-	-	31,728	-	(978)	30,750
Share of other comprehensive loss of associates		-	-	-	(6,978)	-	-	(6,978)
Gains on hedging instruments of net investments in foreign operations		-	-	-	61,329	-	-	61,329
Losses on cash flow hedging instruments		-	-	-	(6,382)	-	-	(6,382)
Total comprehensive income for the period		-	-	-	371,111	2,534,842	(212)	2,905,741
Transactions with the shareholder								
Annual dividends		-	-	-	-	(731,926)	-	(731,926)
Interim dividends		-	-	-	-	(598,481)	-	(598,481)
Issuance of hybrid securities		-	-	-	-	-	-	-
Interest (dividends) on hybrid securities		-	-	-	-	(25,659)	-	(25,659)
Others	42	-	-	(411,222)	-	-	265,388	(145,834)
Total transactions with the shareholder		-	-	(411,222)	-	(1,356,066)	265,388	(1,501,900)
Balance at December 31, 2020		2,021,896	574,523	4,808,482	494,445	22,243,552	265,176	30,408,074

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

Kookmin Bank and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

(In millions of Korean won)	**Notes**	**2020**	**2019**
Cash flows from operating activities			
Profit for the period		2,319,519	2,439,079
Adjustment for non-cash items			
Net gains on financial instruments at fair value through profit or loss		(217,768)	(201,982)
Net losses (gains) on derivative financial instrument for hedging purposes		8,168	(110,405)
Adjustment of fair value of derivative financial instruments		(3,198)	282
Provision for credit losses		484,257	103,170
Net gains on financial investments		(179,941)	(95,524)
Share of loss (profit) of associates		48,157	(29,240)
Depreciation and amortization expense		569,721	509,346
Other net losses (gains) on property and equipment/intangible assets		(77,011)	1,518
Share-based payment		13,364	15,173
Post-employment benefits		159,393	157,946
Net interest expense		559,070	236,930
Gains on foreign currency translation		(155,831)	(100,131)
Other expense (income)		(14,318)	60,496
		1,194,063	547,579
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss		(1,405,459)	(1,497,738)
Derivative financial instrument		42,804	(7,944)
Loans measured at amortized cost		(28,338,718)	(16,595,592)
Current income tax assets		(24,211)	(9,265)
Deferred income tax assets		(58,957)	1,110
Other assets		(3,478,528)	(905,137)
Financial liabilities at fair value through profit or loss		49,648	(23,165)
Deposits		23,689,107	28,107,474
Deferred income tax liabilities		(174,090)	137,700
Other liabilities		(1,139,460)	1,176,035
		(10,837,864)	10,383,478
Net cash inflow (outflow) from operating activities		(7,324,282)	13,370,136
Cash flows from investing activities			
Net cash flows from derivative financial instrument for hedging purposes		8,983	7,120
Disposal of financial assets at fair value through profit or loss		6,729,781	7,807,186
Acquisition of financial assets at fair value through profit or loss		(7,477,327)	(7,817,304)
Disposal of financial investments		72,170,571	59,540,128
Acquisition of financial investments		(76,954,130)	(68,825,567)
Disposal of investments in associates		187,181	30,354
Acquisition of investments in associates		(200,023)	(69,005)
Disposal of property and equipment		1,913	60
Acquisition of property and equipment		(340,477)	(525,605)
Acquisition of investment property		(125)	(230,584)
Disposal of investment property		267,836	-
Disposal of intangible assets		4,260	7,126
Acquisition of intangible assets		(77,960)	(73,726)
Net cash flows from changes in subsidiaries		(388,621)	212,279
Others		33,219	(59,809)
Net cash outflow from investing activities		(6,034,919)	(9,997,347)
Cash flows from financing activities			
Net cash flows from derivative financial instrument for hedging purposes		(16,182)	(28,631)
Net increase in borrowings		6,332,405	1,290,505
Increase in debentures		19,952,932	9,543,968
Decrease in debentures		(11,653,980)	(14,105,629)
Payment of dividends		(1,330,407)	(667,226)
Net increase (decrease) in other payables to trust accounts		2,326,495	(68,647)
Issuance of hybrid securities		-	574,523
Others		(60,866)	(66,498)
Net cash inflow (outflow) from financing activities		15,550,397	(3,527,635)
Effect of exchange rate changes on cash and cash equivalents		(266,209)	177,663
Net increase in cash and cash equivalents		1,924,987	22,817
Cash and cash equivalents at the beginning of the period	36	4,879,312	4,856,495
Cash and cash equivalents at the end of the period	36	6,804,299	4,879,312

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

1. The Bank

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

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

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

The Bank engages in the banking business in accordance with the Banking Act, trust business in accordance with the Financial Investment Services and Capital Markets Act, mobile virtual network business in accordance with Special Act on Support for Financial Innovation, and other relevant businesses. As of December 31, 2020, the Bank operates its Seoul headquarters and 972 domestic branches, and eight overseas branches (excluding six subsidiaries and one office).

2. Basis of Preparation

2.1 Application of Korean IFRS

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

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

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

2.1.1 The Group has applied the following amended standards for the first time for its annual reporting period commencing January 1, 2020.

- Amendments to Korean IFRS No.1001 Presentation of Financial Statements and Korean IFRS No.1008 Accounting policies, changes in accounting estimates and errors – Definition of Material

The amendments clarify the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. These amendments do not have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS No.1103 Business Combination – Definition of a Business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and the definition of output excludes the returns in the form of lower costs and other economic benefits. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments do not have a significant impact on the consolidated financial statements.

2.1.2 The Group has early adopted the following amended standards.

- Amendments to Korean IFRS No.1107 Financial Instruments: Disclosure, Korean IFRS No.1109 Financial Instruments – Interest Rate Benchmark Reform

These amendments provide exceptions applying hedge accounting even though interest rate benchmark reform gives rise to uncertainties. In the hedging relationship, an entity shall assume that the interest rate benchmark on which the hedge cash flows are based is not altered as a result of interest rate benchmark reform when determining whether a forecast transaction is highly probable and prospectively assessing hedging effectiveness. For a hedge of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement that the risk component shall be separately identifiable only at the inception of the hedging relationship. The application of this exception is ceased either when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedge item, or when the hedging relationship that the hedge item is part of is discontinued. The Group early adopted these amendments since 2019 as the amendments allow the early adoption.

The significant benchmark interest rate indicators for the hedge relationship are LIBOR and CD, and those affected by these amendments should be referred to Note 9.

2.1.3 The following amended standards have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group.

- Amendments to Korean IFRS No.1116 Leases – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. The amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS No.1109 Financial Instruments, Korean IFRS No.1039 Financial Instruments: Recognition and Measurement, Korean IFRS No.1107 Financial Instruments: Disclosure, Korean IFRS No.1104 Insurance Contracts and Korean IFRS No.1116 Lease – Interest Rate Benchmark Reform

In relation to interest rate benchmark reform, the amendments provide a practical expedient allowing entities to change the effective interest rate instead of changing the carrying amount and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS No.1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korean IFRS No.1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS No.2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS No.1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, as profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Korean IFRS No.1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS No.1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS No.1116 *Leases* – Lease incentives
- Korean IFRS No.1041 *Agriculture* – Measuring fair value

- Amendments to Korean IFRS No.1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the management’s expectations thereof. Also, the settlement of liability includes the transfer of the entity’s own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity’s own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

2.2 Measurement Basis

The consolidated financial statements have been prepared based on the historical cost accounting model unless otherwise specified.

2.3 Functional and Presentation Currency

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

2.4 Critical Accounting Estimates

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

Estimates and underlying assumptions are continually evaluated, and changes in accounting estimates are recognized in the period in which the estimates are changed and in any future periods affected.

Uncertainties in estimates and assumptions with significant risks that may result in material adjustments to the consolidated financial statements are as follows:

2.4.1 Income taxes

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

If certain portion of the taxable income is not used for investments, wages, etc. in accordance with the Korean regulation called 'Special Taxation for Facilitation of Investment and Mutually-beneficial Cooperation', the Group is liable to pay additional income tax calculated based on the tax laws. Therefore, the effect of recirculation of corporate income should be reflected in current and deferred income tax. As the Group's income tax is dependent on the actual investments, wages, etc. per each year, there are uncertainties with regard to measuring the final tax effects during the period when the tax law is applied.

2.4.2 Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available is determined by using valuation techniques. Financial instruments, which are not actively traded in the market and those with less transparent market prices, will have less objective fair values and require broad judgment on liquidity, concentration, uncertainty in market factors and assumptions in fair value determination and other risks.

As described in the significant accounting policies in Note 3.3, 'Recognition and Measurement of Financial Instruments', diverse valuation techniques are used to determine the fair value of financial instruments, from generally accepted market valuation models to internally developed valuation models that incorporate various types of assumptions and variables

2.4.3 Allowances and provisions for credit losses

The Group recognizes and measures allowances for credit losses of debt instruments measured at amortized cost and debt instruments measured at fair value through other comprehensive income. Also, the Group recognizes and measures provisions for credit losses of acceptances and guarantees, and unused loan commitments. Accuracy of allowances and provisions for credit losses is dependent upon estimation of expected cash flows of the borrower for individually assessed loans, and upon assumptions and methodology used for collectively assessed groups of loans, acceptances and guarantees and unused loan commitments.

2.4.4 Net defined benefit liability

The present value of the net defined benefit liability is affected by changes in the various factors determined by the actuarial method.

2.4.5 Impairment of goodwill

The recoverable amounts of cash-generating units are determined based on value-in-use calculations to test whether impairment of goodwill has occurred.

2.4.6 Assessment of expected credit losses of financial instruments related to COVID-19

The proliferation of COVID-19 in 2020 negatively affected the global economy, despite of various forms of government support policy. Accordingly, the Group was provided with various economic forecasting scenarios from KB Research, assuming macroeconomic changes due to the level of COVID-19 pandemic. The Group reviewed the possibilities of each scenario comprehensively, updated the forward-looking information, and reflected its effect on expected credit losses through the statistical method. In order to reflect additional credit risk for financial assets whose industries are highly affected by COVID-19, the Group measured expected credit losses using a conservative scenario comparing to the forecasted forward-looking information and proactively responded to the credit risk to be increased in the future by expanding the scope of loans subject to lifetime expected credit losses (non-impaired) and expanding the scope of loans subject to individual assessment. The Group will continue to monitor the impact of COVID-19 on the expected credit losses by comprehensively considering the duration of the impact on the entire economy and the government's policies.

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Consolidation

3.1.1 Subsidiaries

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

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The difference between fair value of any consideration paid and carrying amount of the subsidiary's net assets attributable to the additional interests acquired, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group loses control, any investment retained in the former subsidiary is recognized at its fair value at the date when control is lost, with the resulting difference recognized in profit or loss. This fair value will be the fair value on initial recognition of a financial asset in accordance with Korean IFRS No.9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. In addition, all amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Therefore, amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Group accounts for each business combination by applying the acquisition method. The consideration transferred is measured at fair value, and identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are initially measured at acquisition-date fair values. For each business combination, the Group measures non-controlling interests in the acquiree that entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation at either (a) fair value or (b) the proportionate share in the recognized amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed in the periods in which the costs are incurred.

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

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

3.1.2 Associates

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

Investments in associates and joint ventures are initially recognized at cost and equity method is applied after initial recognition. The carrying amount is increased or decreased to recognize the Group’s share of the profit or loss of the investee and changes in the investee’s equity after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. Unrealized gains and losses resulting from transactions between the Group and associates are eliminated to the extent of the Group’s share in associates. If unrealized losses are indication of an impairment loss that which should be recognized in the consolidated financial statements, those losses are recognized for the period.

If associates use accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associates’ accounting policies conform to those of the Group when the associates’ financial statements are used by the Group in applying the equity method.

If the Group’s share of losses of associates equals or exceeds its interest in the associates (including long-term interests that, in substance, form part of the Group’s net investment in the associates), the Group discontinues recognizing its share of further losses. After the Group’s interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

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

3.1.3 Structured entity

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

3.1.4 Funds management

The Group manages and operates trust assets, collective investment and other funds on behalf of investors. These trusts and funds are not consolidated, except for trusts and funds over which the Group has control.

3.1.5 Intragroup transactions

Intragroup balances, income, expenses and any unrealized gains and losses resulting from intragroup transactions are eliminated in full, in preparing the consolidated financial statements. If unrealized losses are indication of an impairment loss which should be recognized in the consolidated financial statements, those losses are recognized for the period.

3.2 Foreign Currency

3.2.1 Foreign currency transactions

A foreign currency transaction is recorded, at initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate which is the spot exchange rate at the end of the reporting period. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was measured and non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Except for the exchange difference for the net investment in a foreign operation and the financial liability designated as a hedging instrument of net investment, exchange differences arising on the settlement of monetary items or on translating monetary items is recognized in profit or loss. When gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income, conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

3.2.2 Foreign operations

The results and financial position of a foreign operation, whose functional currency differs from the Group's presentation currency, are translated into the Group's presentation currency based on the following procedures.

If the functional currency of a foreign operation is not the currency of a hyperinflationary economy, assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the end of the reporting period, income and expenses for each statement of comprehensive income presented (including comparatives) are translated using the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

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

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

3.2.3 Translation of the net investment in a foreign operation

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

3.3 Recognition and Measurement of Financial Instruments

3.3.1 Initial recognition

The Group recognizes a financial asset or a financial liability in its consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets (a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned) is recognized and derecognized using trade date accounting.

For financial reporting purpose, the Group classifies (a) financial assets as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, or financial assets at amortized cost and (b) financial liabilities as financial liabilities at fair value through profit or loss, or other financial liabilities. These classifications are based on business model for managing financial instruments and the contractual cash flow characteristics of the financial instrument at initial recognition.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of a financial instrument on initial recognition is normally the transaction price (that is, the fair value of the consideration given or received) in an arm's length transaction.

3.3.2 Subsequent measurement

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

3.3.2.1 Amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

3.3.2.2 Fair value

The Group uses quoted price in active market which is based on listed market price or dealer price quotations of financial instruments traded in active market as best estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If there is no active market for a financial instrument, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Group uses valuation models that are commonly used by market participants and customized for the Group to determine fair values of common over-the-counter ("OTC") derivatives such as options, interest rate swaps and currency swaps which are based on the inputs observable in markets. For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally used within the industry, or a value measured by an independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not observable in market and therefore it is necessary to estimate fair value based on certain assumptions.

In addition, the fair value information recognized in the consolidated statement of financial position is classified into the following fair value hierarchy, reflecting the significance of the input variables used in the fair value measurement.

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 : Unobservable inputs for the asset or liability

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

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

The Group's Fair Value Evaluation Committee, which consists of the risk management department, trading department and accounting department, reviews the appropriateness of internally developed valuation models, and approves the selection and changing of the external valuation institution and other considerations related to fair value measurement. The review results on the fair valuation models are reported to the Market Risk Management Subcommittee on a regular basis.

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

The Group uses valuation technique which maximizes the use of market inputs and minimizes the use of entity-specific inputs. It incorporates all factors that market participants would consider in pricing the asset or liability and is consistent with economic methodologies applied for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests its validity using prices of observable current market transactions of the same instrument or based on other relevant observable market data.

3.3.3 Derecognition

Derecognition is the removal of a previously recognized financial asset or financial liability from the consolidated statement of financial position. The derecognition criteria for financial assets and financial liabilities are as follows:

3.3.3.1 Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial assets expire or the Group transfers substantially all the risks and rewards of ownership of the financial asset, or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group has not retained control. Therefore, if the Group does not transfer substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

If the Group transfers the contractual rights to receive the cash flows of the financial asset but retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

The Group writes off a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. In general, the Group considers write-off when it is determined that the debtor does not have sufficient funds or income to cover the principal and interest. The write-off decision is made in accordance with internal regulations. After the write-off, the Group can collect the written-off loans continuously according to the internal policy. Recovered amounts from financial assets previously written-off are recognized in profit or loss.

3.3.3.2 Derecognition of financial liabilities

A financial liability is derecognized from the consolidated statement of financial position when it is extinguished (i.e. the obligation specified in the contract is discharged, cancelled or expires).

3.3.4 Offsetting

A financial asset and a financial liability is offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on a future event and must be legally enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all of the counterparties.

3.4 Cash and Due from Financial Institutions

Cash and due from financial institutions include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and due from financial institutions. Cash and due from financial institutions are measured at amortized cost.

3.5 Non-derivative Financial Assets

3.5.1 Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss unless they are classified as financial assets at amortized cost or at fair value through other comprehensive income.

The Group may designate certain financial assets upon initial recognition as at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in fair value are recognized in profit or loss. Interest income using the effective interest method and dividend income from financial asset at fair value through profit or loss are also recognized in profit or loss.

3.5.2 Financial assets at fair value through other comprehensive income

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

- Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding and;
- Equity instruments that are not held for short-term trading but held for strategic investment, and designated as financial assets at fair value through other comprehensive income

After initial recognition, a financial asset at fair value through other comprehensive income is measured at fair value. Gains or losses arising from a change in fair value, other than dividend income, interest income calculated using the effective interest method and exchange differences arising on monetary items which are recognized directly in profit or loss, are recognized as other comprehensive income in equity.

When the financial assets at fair value through other comprehensive income is disposed, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. However, cumulative gain or loss of equity instrument designated as fair value through other comprehensive income is reclassified to retained earnings not to profit or loss at disposal.

A financial asset at fair value through other comprehensive income denominated in foreign currency is translated at the closing rate. Exchange difference resulting from change in amortized cost is recognized in profit or loss, and other changes are recognized in equity.

3.5.3 Financial assets at amortized cost

A financial asset, which is held within the business model whose objective is achieved by collecting contractual cash flows, and where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding, is classified as a financial asset at amortized cost. After initial recognition, a financial asset at amortized cost is measured at amortized cost using the effective interest method and interest income is calculated using the effective interest method.

3.6 Expected Credit Loss of Financial Assets (Debt Instruments)

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

Expected credit losses are estimated at present value of probability-weighted amount that is determined by evaluating a range of possible outcomes. The Group measures expected credit losses by reflecting all reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The approaches of measuring expected credit losses in accordance with Korean IFRS are as follows:

- General approach: for financial assets and unused loan commitments not subject to the below approach
- Credit-impaired approach: for financial assets that are credit-impaired at the time of acquisition

Application of general approach is differentiated depending on whether credit risk has increased significantly after initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses, whereas if the credit risk on a financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. Lifetime is presumed to be a period to the contractual maturity date of financial assets (the expected life of financial assets).

The Group assesses whether the credit risk has increased significantly using the following information, and if one or more of the following conditions are met, it is deemed as significant increase in credit risk. Information of more than 30 days overdue is applied to all subsidiaries, and other information is applied selectively considering specific indicators of each subsidiary or additionally considering specific indicators of each subsidiary. If the contractual cash flows on a financial asset have been renegotiated or modified, the Group assesses whether the credit risk has increased significantly using the same following information.

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

The Group generally considers the loan to be credit-impaired if one or more of the following conditions are met:

- 90 days or more past due
- Legal proceedings related to collection
- A borrower registered on the credit management list of Korea Federation of Banks
- A corporate borrower with the credit rating C or D
- Refinancing
- Debt restructuring, etc.

3.6.1 Forward-looking information

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

The Group assumes the risk components have a certain correlation with the economic cycle and uses statistical methodologies to estimate the relation between key macroeconomic variables and risk components for the expected credit losses. The Group has derived a correlation between the time series data of more than 11 years and the key macroeconomic variables and calculates the expected credit losses by reflecting the results of the correlation on the risk component.

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

Key macroeconomic variables	Correlation between the major macroeconomic variables and the credit risk
Domestic GDP growth rate	(-)
Composite stock index	(-)
Construction investment change rate	(-)
Rate of change in housing transaction price index	(-)
Interest rate spread	(+)
Private consumption growth rate	(-)

Forward-looking information used in calculation of expected credit losses is based on the macroeconomic forecasts utilized by the management of the Group for its business plan considering reliable external agency's forecasts and others. The forward-looking information is generated by KB Research with comprehensive approach to capture the possibility of various economic forecast scenarios that are derived from the internal and external viewpoints of the macroeconomic situation. The Group determines the macroeconomic variables to be used in forecasting future condition of the economy, considering the direction of the forecast scenario and the significant relationship between macroeconomic variables and time series data. And there are some changes compared to the macroeconomic variables used in the previous year.

In order to reflect additional credit risk for financial assets whose industries are highly affected by COVID-19, the Bank measures expected credit losses using a conservative scenario comparing to the forecasted forward-looking information.

3.6.2 Measuring expected credit losses on financial assets at amortized cost

The expected credit losses of financial assets at amortized cost are measured as present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive. The Group estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

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

3.6.2.1 Individual assessment of impairment

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

3.6.2.2 Collective assessment of impairment

Collective assessment of impairment losses is performed by using a methodology based on historical loss experience and reflecting forward-looking information. Such process incorporates factors such as type of collateral, product and borrowers, credit rating, size of portfolio and recovery period and applies Probability of Default ("PD") on a group of assets and Loss Given Default ("LGD") by type of recovery method. Also, the expected credit loss model involves certain assumptions to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce gap between loss estimate and actual loss experience.

The lifetime expected credit loss is measured by applying the PD to the carrying amount calculated by deducting the expected principal repayment amount from the carrying amount as of the reporting date and the LGD adjusted to reflect changes in the carrying amount.

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

The Group measures expected credit losses on financial assets at fair value through other comprehensive income in a manner that is consistent with the requirements that are applicable to financial assets measured at amortized cost. However, the loss allowance is recognized in other comprehensive income. Upon disposal or repayment of financial assets at fair value through other comprehensive income, the amount of the loss allowance is reclassified from other comprehensive income to profit or loss.

3.7 Derivative Financial Instruments

The Group enters into numerous derivative financial instrument contracts such as currency forwards, interest rate swaps, currency swaps and others for trading purposes or to manage its exposures to fluctuations in interest rates and currency exchange, amongst others. The Group's derivative operations focus on addressing the needs of the Group's corporate clients to hedge their risk exposure and to hedge the Group's risk exposure that results from such client contracts. These derivative financial instruments are presented as derivative financial instruments in the consolidated financial statements irrespective of transaction purpose and subsequent measurement requirement.

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

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

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

3.7.1 Derivative financial instruments held for trading

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

3.7.2 Derivative financial instruments for fair value hedges

If derivatives are designated and qualify for a fair value hedge, changes in fair value of the hedging instrument and changes in fair value of the hedged item attributable to the hedged risk are recognized in profit or loss as part of other operating income and expenses. If the hedged items are equity instruments for which the Group has elected to present changes in fair value in other comprehensive income, changes in fair value of the hedging instrument and changes in fair value of the hedged item attributable to the hedged risk are recognized in other comprehensive income.

Fair value hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedging relationship ceases to meet the qualifying criteria. Once fair value hedge accounting is discontinued, the adjustment to the carrying amount of a hedged item is amortized to profit or loss by the maturity of the financial instrument using the effective interest method.

3.7.3 Derivative financial instruments for cash flow hedges

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

3.7.4 Derivative and non-derivative financial instruments designated for net investments hedges

If derivatives and non-derivatives are designated and qualify for the net investment hedge, the effective portion of changes in fair value of hedging instrument is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss as other operating income and expense. The cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been accumulated in other comprehensive income will be reclassified from other comprehensive income to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation.

3.7.5 Risk management strategy

Interest rate risk arises from changes in fair value resulting from changes in the discount rate of fixed rate financial instruments, and changes in cash flows resulting from changes in the nominal interest rate of floating rate financial instruments. Foreign currencies risk arises from the net investment in a foreign operation, whose functional currency differs from the Group's functional currency.

While the Group hedges the interest rate risk in its entirety, the Group hedges the foreign currencies risk only the proportional part of the notional amount.

At inception of the hedge relationship, the Group reviews the hedge effectiveness; and periodically reviews the effectiveness in order to confirm that economic relationship between the hedged item and the hedging instrument exists. The requirement that an economic relationship exists means that the hedging instrument and the hedged item have values that generally move in the opposite direction due to the same risk, which is the hedged risk. The Group designates the exposure of hedged item opposite to the exposure of hedging instruments in order to meet economic relationship requirement.

The Group designates hedge relationship at one-on-one ratio between the nominal amount of hedging instrument and to the nominal amount of hedged item.

Ineffectiveness could arise because of differences in the underlying parameters (acquisition date, credit risk or liquidity and others) or other differences between the hedging instrument and the hedged item that the Group accepts in order to achieve a cost-effective hedging relationship.

The Group avoids the cash flow variability of its floating rate debt securities by using interest rate swaps. Both are linked to the same interest rate; however, the paid amount of the floating rate may be set on different dates. Even if the variability of interest rate related cash flows (as a risk factor) are designated as a hedged item, the difference in set-up dates creates a hedge ineffectiveness.

The Group avoids the variability of fair values of its fixed rate debt securities by using interest rate swaps. The calculating method of the number of the dates for paying fixed-rate interest amount can be different between hedging instruments and hedged items. Even if the variability of the fair value due to the benchmark interest rate (as a risk factor) are designated as a hedged item, the difference in calculating method of the number of the dates creates a hedge ineffectiveness.

3.7.6 Embedded derivatives

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

3.7.7 Day one gains or losses

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

3.8 Property and Equipment

3.8.1 Recognition and measurement

All property and equipment that qualify for recognition as an asset are measured at cost and subsequently carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred. When part of an item of property and equipment has a useful life different from that of the entire asset, it is recognized as a separate asset.

3.8.2 Depreciation

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

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation methods and estimated useful lives of property and equipment are as follows:

Property and equipment	Depreciation method	Estimated useful lives
Buildings and structures	Straight-line	20 ~ 40 years
Leasehold improvements	Declining-balance	4 years
Equipment and vehicles	Declining-balance	4 years

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

3.9 Investment Properties

3.9.1 Recognition and measurement

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

3.9.2 Depreciation

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

The depreciation method and estimated useful lives of investment properties are as follows:

Investment properties	Depreciation method	Estimated useful lives
Buildings	Straight-line	40 years

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

3.10 Intangible Assets

Intangible assets are measured initially at cost and subsequently carried at their cost less any accumulated amortization and any accumulated impairment losses.

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

Intangible assets	Amortization method	Estimated useful lives
Industrial property rights	Straight-line	5 years
Software	Straight-line	4 ~ 5 years
Others	Straight-line / Declining-balance	1 ~ 13 years

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

3.10.1 Goodwill

3.10.1.1 Recognition and measurement

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

Goodwill acquired from business combinations after January 1, 2010, is initially measured as the excess of cost of the business combination over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of net identifiable assets acquired and liabilities assumed exceeds cost of business combination, the difference is recognized in profit or loss.

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

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

3.10.1.2 Additional acquisitions of non-controlling interests

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

3.10.1.3 Subsequent measurement

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

3.10.2 Subsequent expenditure

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

3.11 Impairment of Non-financial Assets

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

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit that are discounted by a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units that is expected to benefit from the synergies of the combination. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

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

3.12 Non-current Assets Held for Sale

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

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

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

3.13 Financial Liabilities

The Group classifies financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

3.13.1 Financial liabilities at fair value through profit or loss

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

In relation to securities lending or borrowing transactions, when the Group borrows securities from the Korea Securities Depository and others, these transactions are managed as off-balance sheet items. The borrowed securities are treated as financial liabilities at fair value through profit or loss when they are sold. Changes in fair value at the end of the reporting period and difference between carrying amount at redemption and purchased amount are recognized as profit or loss.

3.13.2 Other financial liabilities

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

In case an asset is sold under repurchase agreement, the Group continues to recognize the asset with the amount sold being accounted for as borrowing. The Group derecognizes a financial liability from the consolidated statement of financial position only when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of provisions, and where the effect of the time value of money is material, the amount of provisions is the present value of the expenditures expected to be required to settle the obligation.

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

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

3.15 Financial Guarantee Contracts

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

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

- The amount determined in accordance with Korean IFRS No.1109 *Financial Instruments* and
- The amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with Korean IFRS No.1115 *Revenue from Contracts with Customers*.

3.16 Equity Instrument Issued by the Group

An equity instrument is any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

3.16.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or the exercise of stock option are deducted from the equity, net of any tax effects.

3.16.2 Hybrid securities

The financial instruments can be classified as either financial liabilities or equity in accordance with the terms of the contract. The Group classifies hybrid securities as an equity if the Group has the unconditional right to avoid any contractual obligation to deliver financial assets such as cash in relation to the financial instruments. However, hybrid securities issued by subsidiaries are classified as non-controlling interests, dividends are recognized in the consolidated statement of comprehensive income as profit attributable to non-controlling interests.

3.16.3 Compound financial instruments

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

3.17 Revenue Recognition

The Group recognizes revenues in accordance with the following steps determined in accordance with Korean IFRS No.1115 *Revenue from Contracts with Customers*.

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

3.17.1 Interest income and expense

Interest income and expense on debt securities at fair value through profit or loss (excluding beneficiary certificates, equity investments and other debt instruments), loans, financial instruments at amortized cost and debt securities at fair value through other comprehensive income, are recognized in the consolidated statement of comprehensive income using the effective interest method in accordance with Korean IFRS No.1109 *Financial Instruments*. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Group estimates expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all fees and points paid (main components of effective interest rate only) or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows and the expected life of a financial instrument, the Group uses the contractual cash flows over the full contractual term of the financial instrument.

Interest income on impaired financial assets is recognized using the rate of interest used to discount the expected cash flows for the purpose of measuring the impairment loss. Interest income on debt securities at fair value through profit or loss is also classified as interest income in the consolidated statement of comprehensive income.

3.17.2 Fee and commission income

The Group recognizes financial service fees in accordance with the purpose of charging the fees and the accounting standards of the financial instrument related to the fees earned.

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

Such fees are generally treated as adjustments of effective interest. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction and origination fees received on issuing financial liabilities at amortized cost. However, fees relating to the creation or acquisition of a financial instrument at fair value through profit or loss are recognized as revenue immediately.

3.17.2.2 Fees related to performance obligations satisfied over time

The Group transfers control of a good or service over time, therefore, recognizes revenue related to performance obligations satisfied over the period of performance obligations. Fees which can be earned through the certain periods, including asset management fees, consignment business fees, etc. are recognized over the period of performance obligations.

3.17.2.3 Fees related to performance obligations satisfied at a point in time

Fees earned at a point in time are recognized as revenue when a customer obtains controls of a promised good or service and the Group satisfies a performance obligation.

Commission on negotiation or participation in negotiation for the third party such as trading stocks or other securities, arranging merger and acquisition of business, is recognized as revenue when the transaction has been completed.

A syndication arrangement fees recognized as revenue when the syndication has been completed, if the Group arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

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

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

- Gains or losses relating to financial instruments at fair value through profit or loss (excluding interest income using the effective interest rate)
- Gains or losses relating to derivatives for trading (including derivatives for hedging purpose but do not qualify for hedge accounting)

3.17.4 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income is recognized as net gains or losses on financial instruments at fair value through profit or loss or other operating income depending on the classification of equity securities.

3.18 Employee Compensation and Benefits

3.18.1 Post-employment benefits:

3.18.1.1 Defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as post-employment benefits for the period.

3.18.1.2 Defined benefit plans

All post-employment benefits, other than defined contribution plans, are classified as defined benefit plans. The amount recognized as a net defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses resulted from changes in actuarial assumptions and experience adjustments are recognized in other comprehensive income.

When the total of the present value of the defined benefit obligation minus the fair value of plan assets results in an asset, it is recognized to the extent of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from the introduction or changes to a defined benefit plan. Such past service cost is immediately recognized as an expense for the period.

3.18.2 Short-term employee benefits

Short-term employee benefits are employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as an expense for the period.

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

3.18.3 Share-based payment

The Group has provided its directors and employees with stock grants and mileage stocks programs. When stock grants are exercised, the Group can either select to distribute issued stock of KB Financial Group Inc., the Parent Company or compensate in cash based on the share price. When mileage stocks are exercised, the Group pays the amount equivalent to share price of KB Financial Group Inc. in cash.

For a share-based payment transaction in which the terms of the arrangement provide the Group with the choice of whether to settle in cash or by issuing equity instruments, the Group accounts for the transaction in accordance with the requirements applying to cash-settled share-based payment transactions because the Group determines that it has a present obligation to settle in cash because the Group has a past practice and a stated policy of settling in cash. Therefore, the Group measures the liability incurred as consideration for the service, at fair value and recognizes related expense and accrued expense over the vesting periods. For mileage stocks, the Group accounts for the transaction in accordance with the requirements applying to cash-settled share-based payment transactions, which are recognized as expense and accrued expenses at the time of vesting.

Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss as share-based payments.

3.18.4 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognizes a liability and expense for termination benefits at the earlier of the following dates; when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring that is within the scope of Korean IFRS No.1037 and involves the payment of termination benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, then the termination benefits are discounted to present value.

3.19 Income Tax Expenses

Income tax expense comprises current tax expense and deferred income tax expense. Current and deferred income tax are recognized as income or expense and included in profit or loss for the period, except to the extent that the tax arises from (a) a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity and (b) a business combination.

3.19.1 Current income tax

Current income tax is the amount of income tax payable in respect of the taxable profit (loss) for the period. A difference between the taxable profit and accounting profit may arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Differences may also arise if there is revenue that is exempt from taxation, or expense that is not deductible in determining taxable profit (loss). Current income tax liabilities for the current and prior periods are measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

3.19.2 Deferred income tax

Deferred income tax is recognized, using the asset-liability method, on temporary differences arising between the tax-based amount of assets and liabilities and their carrying amount in the financial statements. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax assets and liabilities are not recognized if they arise from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting nor taxable profit or loss.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period. The Group reduces the carrying amount of a deferred income tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets deferred income tax assets and deferred income tax liabilities if, and only if the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

3.19.3 Uncertain tax positions

Uncertain tax positions arise from tax treatments applied by the Group which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, a claim for rectification brought by the Group, an appeal for a refund claimed from the tax authorities related to additional assessments or a tax investigation by the tax authorities. The Group recognizes its uncertain tax positions in the consolidated financial statements in accordance with Korean IFRS No.1012 and Interpretation of Korean IFRS No.2123. The income tax asset is recognized if a tax refund is probable for taxes paid and levied by the tax authority, and the amount to be paid as a result of the tax investigation and others is recognized as the current tax payable. However, additional dues on tax paid or refund are recognized in accordance with Korean IFRS No.1037 because those are, in substance, interest and penalty.

3.20 Transactions with the Trust Accounts

The Group accounts for trust assets separately from its own assets in accordance with the Financial Investment Services and Capital Markets Act. The borrowings from trust accounts represent transfer of funds in trust accounts into banking accounts. Such borrowings from trust accounts are recorded as receivables from the banking accounts in the trust accounts and as borrowings from trust accounts in the banking accounts. The Group earns trust fees from the trust accounts for its management of trust assets and operations. The reserves for future profits and losses are set up in the trust accounts for profits and losses related to those trust funds with a guarantee of the principal or of the principal and a certain minimum rate of return in accordance with the relevant laws and regulations applicable to trust operations. The reserves are used to provide for the losses on such trust funds and, if the losses incurred are in excess of the reserves, the excess losses are compensation paid as a loss on trust management in other operating expenses and the trust accounts recognize the corresponding compensation as compensation from banking accounts.

3.21 Lease

The Group as a lessor recognizes lease payments from operating leases as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

A lessee is required to recognize a right-of-use asset (lease assets) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured at the present value.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are depend on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred by the lessee, and
- An estimate of restoration costs

However, the Group can elect not to apply the requirements of Korean IFRS No.1116 to short-term lease (lease that, at the commencement date, has a lease term of 12 months or less) and leases for which the underlying asset is of low value (for example, underlying leased asset under $ 5,000). The Group applies the exemption of the standard for one time lease of real estate (for training purpose) and leases of low-value assets (underlying assets less than ₩ 5 million and $ 5,000).

The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

For sale and leaseback transactions, the Group applies the requirements of Korean IFRS No.1115 *Revenue from Contracts with Customers*, to determine whether the transfer of an asset is accounted for as a sale of that asset.

3.22 Operating Segments

The Group identifies its operating segments based on internal reports which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

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

4. Financial Risk Management

4.1 Summary

4.1.1 Overview of financial risk management policy

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

This note regarding financial risk management provides information about the risks that the Group is exposed to and about its objectives, policies, risk assessment and management procedures, and capital management. Additional quantitative information is disclosed throughout the consolidated financial statements.

The Group's risk management system focuses on efficiently supporting long-term strategy and management decisions of each business group through increased risk transparency, spread of risk management culture, prevention of risk transition between risk types, and preemptive response to rapidly changing financial environments. Credit risk, market risk, liquidity risk, and operational risk are recognized as the Group's significant risks and measured and managed by quantifying them in the form of Internal Capital or Value at Risk ("VaR") using statistical methods.

4.1.2 Risk management organization

4.1.2.1 Risk Management Committee

The Risk Management Committee, as the ultimate decision-making body, approves risk-related issues, such as establishing risk management strategies in accordance with the strategic direction determined by the Board of Directors, determining the affordable level of risk appetite, and reviewing the level of risk and the status of risk management activities.

4.1.2.2 Risk Management Council

The Risk Management Council deliberates on and resolve matters delegated by the Risk Management Committee and discusses the details of risk management of the Group.

4.1.2.3 Risk Management Subcommittees

The Risk Management Subcommittee implements decisions made by the Risk Management Council and makes practical decisions regarding the implementation of risk management policies and procedures.

- Credit Risk Management Subcommittee
  The Credit Risk Management Subcommittee conducts deliberation and resolution on new approval of non-standard and compound instruments with embedded credit risks, reviews credit risks for new products with credit risks, and establishment of exposure limits by industry.

- Market Risk Management Subcommittee
  The Market Risk Management Subcommittee conducts deliberation and resolution on market risk-related matters, such as setting limits on market risk and approving detailed investment standards for new standard, non-standard and compound products.

- Operational Risk Management Subcommittee

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

4.1.2.4 Risk Management Group

The Risk Management Group manages risk management detailed policies, procedures, and business processes.

4.2 Credit Risk

4.2.1 Overview of credit risk

Credit risk is the risk of loss from the portfolio of assets held due to the counterparty's default, breach of contract and deterioration of credit quality. For risk management reporting purposes, the Group considers all factors of credit risk exposure, such as default risk of individual borrowers, country risk and risk of specific sectors. The Group defines default as the definition applied to the calculation of Capital Adequacy Ratio under the new Basel Accord (Basel III).

4.2.2 Credit risk management

The Group measures the expected loss and economic capital for the assets subject to credit risk management, including on-balance and off-balance assets, and uses them as management indicators. The Group allocates and manages credit risk internal capital limits.

In addition, to prevent excessive concentration of exposures by borrower and industry, the total exposure limit at the Group level is introduced, applied, and managed to control the credit concentration risk.

In order to establish a credit risk management system, the Group manages credit risk by forming a separate risk management organization. In particular, independent of the Sales Group, the Credit Group, Retail Customer Group and SME/SOHO Customer Group are in charge of loan policy, loan system, credit rating, credit analysis, follow-up management and corporate restructuring. The Risk Management Group is responsible for establishing policies on credit risk management, measuring and limiting internal capital of credit risk, setting credit limits, credit review, and verification of credit rating models.

4.2.3 Maximum exposure to credit risk

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

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Financial assets		
Due from financial institutions [1]	17,085,898	11,786,957
Financial assets at fair value through profit or loss		
Securities measured at fair value through profit or loss	15,707,842	13,446,838
Loans measured at fair value through profit or loss	38,756	188,133
Due from financial institutions measured at fair value through profit or loss	89,965	79,805
Derivatives	4,456,668	2,317,425
Loans measured at amortized cost [1]	327,332,495	293,531,433
Financial investments		
Securities measured at fair value through other comprehensive income	39,960,675	36,116,988
Securities measured at amortized cost [1]	15,588,413	13,964,339
Loans measured at fair value through other comprehensive income	234,780	344,292
Other financial assets [1]	5,986,686	5,464,704
	426,482,178	377,240,914
Off-balance sheet items [2]		
Acceptances and guarantees contracts	8,560,896	8,327,494
Financial guarantee contracts	4,354,919	3,305,051
Commitments	91,738,296	87,866,225
	104,654,111	99,498,770
	531,136,289	476,739,684

[1] After netting of allowance
[2] For details of relevant provisions, see Note 22.

4.2.4 Credit risk of loans

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

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

4.2.4.1 Credit risk exposure

Credit qualities of loans as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non-impaired	Impaired			
Loans measured at amortized cost *						
Corporate						
Grade 1	85,802,797	4,470,806	6,545	-	-	90,280,148
Grade 2	58,494,076	6,777,700	1,119	-	-	65,272,895
Grade 3	2,228,426	2,436,658	3,042	-	-	4,668,126
Grade 4	487,038	1,003,942	7,878	-	-	1,498,858
Grade 5	17,941	384,014	2,101,014	-	-	2,502,969
	147,030,278	15,073,120	2,119,598	-	-	164,222,996
Retail						
Grade 1	151,410,177	3,439,344	5,987	-	-	154,855,508
Grade 2	3,947,198	3,913,432	6,160	-	-	7,866,790
Grade 3	230,361	1,157,224	6,971	-	-	1,394,556
Grade 4	19,077	124,562	3,269	-	-	146,908
Grade 5	25,369	400,181	546,039	-	-	971,589
	155,632,182	9,034,743	568,426	-	-	165,235,351
Credit card						
Grade 1	-	-	-	-	-	-
Grade 2	37,053	-	-	-	-	37,053
Grade 3	1,467	-	-	-	-	1,467
Grade 4	-	-	-	-	-	-
Grade 5	-	-	22,439	-	-	22,439
	38,520	-	22,439	-	-	60,959
	302,700,980	24,107,863	2,710,463	-	-	329,519,306
Loans measured at fair value through other comprehensive income						
Corporate						
Grade 1	176,840	-	-	-	-	176,840
Grade 2	57,940	-	-	-	-	57,940
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	234,780	-	-	-	-	234,780
	234,780	-	-	-	-	234,780
	302,935,760	24,107,863	2,710,463	-	-	329,754,086

(In millions of Korean won)

	December 31, 2019					
	12-month expected credit losses	Lifetime expected credit losses: Non-impaired	Lifetime expected credit losses: Impaired	Credit impaired approach	Not applying expected credit losses	Total
Loans measured at amortized cost *						
Corporate						
Grade 1	77,685,587	1,722,935	837	-	-	79,409,359
Grade 2	55,097,112	4,512,631	6,397	-	-	59,616,140
Grade 3	2,486,531	2,135,130	4,188	-	-	4,625,849
Grade 4	423,926	796,468	4,185	-	-	1,224,579
Grade 5	16,648	344,920	744,335	-	-	1,105,903
	135,709,804	9,512,084	759,942	-	-	145,981,830
Retail						
Grade 1	135,445,215	3,556,937	7,560	-	-	139,009,712
Grade 2	3,125,163	4,249,881	8,278	-	-	7,383,322
Grade 3	158,769	1,305,097	8,312	-	-	1,472,178
Grade 4	9,468	151,552	2,575	-	-	163,595
Grade 5	8,666	423,127	424,964	-	-	856,757
	138,747,281	9,686,594	451,689	-	-	148,885,564
	274,457,085	19,198,678	1,211,631	-	-	294,867,394
Loans measured at fair value through other comprehensive income						
Corporate						
Grade 1	210,718	-	-	-	-	210,718
Grade 2	133,574	-	-	-	-	133,574
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	344,292	-	-	-	-	344,292
	344,292	-	-	-	-	344,292
	274,801,377	19,198,678	1,211,631	-	-	295,211,686

* Before netting of allowance

Credit qualities of loans graded according to internal credit ratings as of December 31, 2020 and 2019, are as follows:

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

4.2.4.2 Credit risk mitigation by collateral

Quantification of the extent to which collateral and other credit enhancements mitigate credit risk of loans as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non-impaired	Impaired			
Guarantees	78,510,868	5,708,138	184,422	-	-	84,403,428
Deposits and savings	1,424,757	149,745	64,355	-	-	1,638,857
Property and equipment	3,883,931	471,313	71,021	-	-	4,426,265
Real estate	166,812,667	12,453,807	1,792,642	-	-	181,059,116
	250,632,223	18,783,003	2,112,440	-	-	271,527,666

(In millions of Korean won)

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

4.2.5 Credit risk of securities

Credit qualities of securities other than equity securities that are exposed to credit risk as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non-impaired	Impaired			
Securities measured at amortized cost *						
Grade 1	15,076,443	-	-	-	-	15,076,443
Grade 2	468,773	-	-	-	-	468,773
Grade 3	38,454	7,061	-	-	-	45,515
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	15,583,670	7,061	-	-	-	15,590,731
Securities measured at fair value through other comprehensive income						
Grade 1	38,289,525	-	-	-	-	38,289,525
Grade 2	1,584,293	-	-	-	-	1,584,293
Grade 3	79,336	-	-	-	-	79,336
Grade 4	7,521	-	-	-	-	7,521
Grade 5	-	-	-	-	-	-
	39,960,675	-	-	-	-	39,960,675
	55,544,345	7,061	-	-	-	55,551,406

(In millions of Korean won)

	December 31, 2019					
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non-impaired	Impaired			
Securities measured at amortized cost *						
Grade 1	13,894,203	-	-	-	-	13,894,203
Grade 2	33,148	-	-	-	-	33,148
Grade 3	38,230	-	-	-	-	38,230
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	13,965,581	-	-	-	-	13,965,581
Securities measured at fair value through other comprehensive income						
Grade 1	34,841,376	-	-	-	-	34,841,376
Grade 2	1,273,007	-	-	-	-	1,273,007
Grade 3	2,606	-	-	-	-	2,606
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	36,116,989	-	-	-	-	36,116,989
	50,082,570	-	-	-	-	50,082,570

* Before netting of allowance

Credit qualities of securities other than equity securities, according to the credit ratings by external rating agencies as of December 31, 2020 and 2019, are as follows:

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

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

4.2.6 Credit risk of due from financial institutions

Credit qualities of due from financial institutions as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020				
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Total
		Non-impaired	Impaired		
Due from financial institutions measured at amortized cost *					
Grade 1	15,802,294	-	-	-	15,802,294
Grade 2	334,207	-	-	-	334,207
Grade 3	445,732	13,099	-	-	458,831
Grade 4	479,143	-	-	-	479,143
Grade 5	13,520	-	282	-	13,802
	17,074,896	13,099	282	-	17,088,277

(In millions of Korean won)

	December 31, 2019				
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Total
		Non-impaired	Impaired		
Due from financial institutions measured at amortized cost *					
Grade 1	10,936,300	-	-	-	10,936,300
Grade 2	149,927	-	-	-	149,927
Grade 3	677,249	-	-	-	677,249
Grade 4	-	-	-	-	-
Grade 5	13,990	13,179	360	-	27,529
	11,777,466	13,179	360	-	11,791,005

* Before netting of allowance

The classification criteria of the credit qualities of due from financial institutions as of December 31, 2020 and 2019, is the same as the criteria for securities other than equity securities.

4.2.7 Credit risk mitigation of derivative financial instruments

Quantification of the extent to which collateral mitigates credit risk of derivative financial instruments as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020	December 31, 2019
Deposits and savings, securities and others	1,264,017	496,294

4.2.8 Credit risk concentration analysis

4.2.8.1 Details of loans by country as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020						
	Retail	Corporate *	Credit card	Total	%	Allowances	Carrying amount
Korea	162,521,943	149,253,281	-	311,775,224	94.55	(1,362,777)	310,412,447
Japan	94	960,604	-	960,698	0.29	(1,258)	959,440
United States	-	1,690,540	-	1,690,540	0.51	(19,011)	1,671,529
China	-	4,518,737	-	4,518,737	1.37	(20,485)	4,498,252
Cambodia	1,302,850	2,272,777	-	3,575,627	1.08	(84,713)	3,490,914
Indonesia	1,221,257	3,636,434	60,959	4,918,650	1.49	(689,408)	4,229,242
Others	189,207	2,164,159	-	2,353,366	0.71	(9,159)	2,344,207
	165,235,351	164,496,532	60,959	329,792,842	100.00	(2,186,811)	327,606,031

(In millions of Korean won)

	December 31, 2019					
	Retail	Corporate *	Total	%	Allowances	Carrying amount
Korea	148,609,480	139,599,908	288,209,388	97.58	(1,303,099)	286,906,289
Japan	101	629,717	629,818	0.21	(547)	629,271
United States	-	1,838,883	1,838,883	0.62	(5,421)	1,833,462
China	-	3,135,501	3,135,501	1.06	(20,652)	3,114,849
Others	275,983	1,310,246	1,586,229	0.53	(6,242)	1,579,987
	148,885,564	146,514,255	295,399,819	100.00	(1,335,961)	294,063,858

* Expected credit losses of loans measured at fair value through other comprehensive income as of December 31, 2020 and 2019, are ₩ 395 million and ₩ 582 million, respectively.

4.2.8.2 Details of corporate loans by industry as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020			
	Loans *	**%**	**Allowances**	**Carrying amount**
Financial institutions	12,807,603	7.78	(7,802)	12,799,801
Manufacturing	45,229,743	27.49	(467,605)	44,762,138
Service	71,466,009	43.45	(349,419)	71,116,590
Wholesale and retail	22,414,994	13.63	(234,360)	22,180,634
Construction	3,609,505	2.19	(164,845)	3,444,660
Public sector	1,358,422	0.83	(74,717)	1,283,705
Others	7,610,256	4.63	(266,134)	7,344,122
	164,496,532	100.00	(1,564,882)	162,931,650

(In millions of Korean won)	December 31, 2019			
	Loans *	**%**	**Allowances**	**Carrying amount**
Financial institutions	13,564,347	9.26	(5,091)	13,559,256
Manufacturing	42,707,287	29.15	(389,602)	42,317,685
Service	62,713,574	42.80	(178,869)	62,534,705
Wholesale and retail	17,900,225	12.22	(97,238)	17,802,987
Construction	2,833,544	1.93	(163,791)	2,669,753
Public sector	1,170,823	0.80	(2,005)	1,168,818
Others	5,624,455	3.84	(24,794)	5,599,661
	146,514,255	100.00	(861,390)	145,652,865

* Expected credit losses of loans measured at fair value through other comprehensive income as of December 31, 2020 and 2019, are ₩ 395 million and ₩ 582 million, respectively.

4.2.8.3 Details of retail loans and credit card receivables as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020			
	Loans	**%**	**Allowances**	**Carrying amount**
Housing purpose	86,848,079	52.54	(59,059)	86,789,020
General purpose	78,387,272	47.42	(559,772)	77,827,500
Credit card	60,959	0.04	(3,098)	57,861
	165,296,310	100	(621,929)	164,674,381

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

4.2.8.4 Details of domestic mortgage loans as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**			
	Loans *	**%**	**Allowances**	**Carrying amount**
Group1	13,721,317	14.22	(8,252)	13,713,065
Group2	26,749,535	27.74	(6,001)	26,743,534
Group3	35,831,558	37.16	(9,458)	35,822,100
Group4	19,706,942	20.44	(13,319)	19,693,623
Group5	401,295	0.42	(1,413)	399,882
Group6	15,962	0.02	(147)	15,815
	96,426,609	100.00	(38,590)	96,388,019

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

* Retail loans for general purpose with the real estate as collateral are included.

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

* LTV: Loan to Value ratio

4.2.8.5 Details of credit risk of due from financial institutions, securities other than equity securities and derivative financial assets by industry as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020			
	Amount	**%**	**Allowances**	**Carrying amount**
Due from financial institutions measured at amortized cost				
Finance and Insurance	17,088,277	100.00	(2,379)	17,085,898
	17,088,277	100.00	(2,379)	17,085,898
Securities measured at fair value through profit or loss				
Government and government funded institutions	3,856,785	24.55	-	3,856,785
Finance and Insurance [1]	10,382,964	66.10	-	10,382,964
Others	1,468,093	9.35	-	1,468,093
	15,707,842	100.00	-	15,707,842
Derivative financial assets				
Government and government funded institutions	44,670	1.00	-	44,670
Finance and Insurance [1]	3,829,897	85.94	-	3,829,897
Others	582,101	13.06	-	582,101
	4,456,668	100.00	-	4,456,668
Securities measured at fair value through other comprehensive income [2]				
Government and government funded institutions	14,625,964	36.60	-	14,625,964
Finance and Insurance	21,175,736	52.99	-	21,175,736
Others	4,158,975	10.41	-	4,158,975
	39,960,675	100.00	-	39,960,675
Securities measured at amortized cost				
Government and government funded institutions	5,162,860	33.11	-	5,162,860
Finance and Insurance	10,378,899	66.57	(2,300)	10,376,599
Others	48,972	0.32	(18)	48,954
	15,590,731	100.00	(2,318)	15,588,413
	92,804,193		(4,697)	92,799,496

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

[1] Collective investment securities are classified as finance and insurance.

[2] Expected credit losses of securities measured at fair value through other comprehensive income as of December 31, 2020 and 2019, are ₩ 4,312 million and ₩ 2,028 million, respectively.

4.2.8.6 Details of credit risk of due from financial institutions, securities other than equity securities and derivative financial assets by country as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020			
	Amount	**%**	**Allowances**	**Carrying amount**
Due from financial institutions measured at amortized cost				
Korea	12,131,470	70.99	-	12,131,470
United States	1,952,700	11.43	(282)	1,952,418
Others	3,004,107	17.58	(2,097)	3,002,010
	17,088,277	100.00	(2,379)	17,085,898
Securities measured at fair value through profit or loss				
Korea	13,886,018	88.40	-	13,886,018
United States	1,132,332	7.21	-	1,132,332
Others	689,492	4.39	-	689,492
	15,707,842	100.00	-	15,707,842
Derivative financial assets				
Korea	2,120,424	47.58	-	2,120,424
United States	612,878	13.75	-	612,878
France	399,942	8.97	-	399,942
Others	1,323,424	29.70	-	1,323,424
	4,456,668	100.00	-	4,456,668
Securities measured at fair value through other comprehensive income *				
Korea	37,158,763	92.99	-	37,158,763
United States	223,750	0.56	-	223,750
Others	2,578,162	6.45	-	2,578,162
	39,960,675	100.00	-	39,960,675
Securities measured at amortized cost				
Korea	14,757,644	94.66	(2,015)	14,755,629
United States	5,473	0.04	(4)	5,469
United Kingdom	272,511	1.75	(103)	272,408
Others	555,103	3.55	(196)	554,907
	15,590,731	100.00	(2,318)	15,588,413
	92,804,193		(4,697)	92,799,496

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

* Expected credit loss of securities measured at fair value through other comprehensive income as of December 31, 2020 and 2019, are ₩ 4,312 million and ₩ 2,028 million, respectively.

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

4.3 Liquidity risk

4.3.1 Overview of liquidity risk

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

4.3.2 Liquidity risk management and indicator

The liquidity risk is managed by comprehensive risk management policies and Asset Liability Management ("ALM") risk management guidelines set forth in these policies applied to all risk management policies and procedures that may arise throughout the overall business of the Group.

The Group establishes a liquidity risk management strategy, including objectives of liquidity risk management, management policies, and internal control systems, and obtains a resolution from the Risk Management Committee. The Risk Management Committee establishes the Risk Management Council for efficient risk management to supervise the establishment and implementation of policies according to risk management strategies.

The Group calculates and manages Liquidity Coverage Ratio ("LCR"), Net Stable Funding Ratio ("NSFR"), liquidity ratio, maturity mismatch ratio and liquidity stress testing result for all transactions and off-balance transactions, that affect the cashflows in Korean won and foreign currency funds raised and operated for the management of liquidity risks and periodically reports them to the Risk Management Council and the Risk Management Committee.

4.3.3 Analysis of remaining contractual maturity of financial assets and liabilities

The cash flows disclosed in the maturity analysis are undiscounted contractual amounts including principal and future interest receivables and payments; as such, the table below do not match with the amounts in the consolidated statement of financial position which are based on discounted cash flows. The future interest receipts and payments for floating-rate assets and liabilities are calculated on the assumption that the current interest rate is the same until maturity.

4.3.3.1 Remaining contractual maturity of financial assets and liabilities other than derivatives held for cash flow hedge as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020						
	On demand	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Financial assets							
Cash and due from financial institutions [1]	6,164,904	572,208	263,484	207,089	-	-	7,207,685
Financial assets at fair value through profit or loss [2]	16,003,078	-	-	-	24	87,445	16,090,547
Derivatives held for trading [2]	4,291,829	-	-	-	-	-	4,291,829
Derivatives held for hedging [3]	-	4,005	16,152	18,781	65,748	88,462	193,148
Loans measured at amortized cost	-	19,240,947	31,073,680	125,491,348	97,541,818	95,557,255	368,905,048
Financial investments	2,368,280	1,679,898	3,741,760	10,421,399	36,732,572	5,391,958	60,335,867
Financial assets at fair value through other comprehensive income [4]	2,368,280	716,568	1,125,721	8,258,114	30,450,764	738,642	43,658,089
Securities measured at amortized cost	-	963,330	2,616,039	2,163,285	6,281,808	4,653,316	16,677,778
Other financial assets	-	4,276,790	-	931,385	466	-	5,208,641
	28,828,091	25,773,848	35,095,076	137,070,002	134,340,628	101,125,120	462,232,765
Financial liabilities							
Financial liabilities at fair value through profit or loss [2]	141,277	-	-	-	-	-	141,277
Derivatives held for trading [2]	4,215,097	-	-	-	-	-	4,215,097
Derivatives held for hedging [3]	-	2,807	3,556	14,545	32,981	109	53,998
Deposits [5]	175,037,700	17,146,967	28,299,527	98,963,384	11,965,747	1,825,797	333,239,122
Borrowings	47,502	8,899,500	3,586,809	7,380,706	6,360,442	836,792	27,111,751
Debentures	17,783	1,184,565	4,136,912	7,550,002	11,299,725	4,038,300	28,227,287
Lease liabilities	205	16,362	29,955	111,734	214,008	27,970	400,234
Other financial liabilities	-	13,611,041	1,075	124,707	50,993	1,060	13,788,876
	179,459,564	40,861,242	36,057,834	114,145,078	29,923,896	6,730,028	407,177,642
Off-balance sheet items							
Commitments [6]	91,738,296	-	-	-	-	-	91,738,296
Acceptances and guarantees contracts	8,560,896	-	-	-	-	-	8,560,896
Financial guarantee contracts [7]	4,354,919	-	-	-	-	-	4,354,919
	104,654,111	-	-	-	-	-	104,654,111

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

[1] Restricted due from financial instruments amounting to ₩ 12,773,080 million and ₩ 8,759,558 million are excluded as of December 31, 2020 and 2019, respectively.
[2] Financial liabilities at fair value through profit or loss, derivatives held for trading and financial assets at fair value through profit or loss (excluding loans) are not managed by contractual maturity because they are expected to be traded or redeemed before maturity. Therefore, the carrying amounts of those financial instruments are included in the 'On demand' category.
[3] Cash flows of derivative instruments held for hedging are shown at net amounts of cash inflows and outflows by remaining contractual maturity.
[4] Equity securities designated as financial assets at fair value through other comprehensive income are included in the 'On demand' category because most are available for sale at any time. However, equity securities restricted from sale, are included in the category corresponding to the date on which the restriction is lifted.
[5] Deposits that are contractually repayable on demand or on short notice are included in the 'On demand' category.
[6] Unused lines of credit within commitments are included in the 'On demand' category because payments can be requested at any time.
[7] Cash flows under financial guarantee contracts are classified based on the earliest period that the contract can be executed.

4.3.3.2 Contractual cash flows of derivatives held for cash flow hedge as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**					
	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Cash flow to be received of net-settled derivatives	69	91	350	30	-	540
Cash flow to be paid of net-settled derivatives	124	3,673	7,406	4,043	-	15,246

(In millions of Korean won)	**December 31, 2019**					
	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Cash flow to be received of net-settled derivatives	38	357	1,015	564	-	1,974
Cash flow to be paid of net - settled derivatives	191	1,340	2,001	342	-	3,874

4.4 Market Risk

4.4.1 Concept

Market risk refers to risks that can result in losses due to changes in market factors such as interest rates, stock prices, and exchange rates etc., which arise from securities and derivatives and others. The most significant risks associated with trading position are interest rate risk and currency risk, and additional risks include stock price risk. The non-trading position is also exposed to interest rate risk. The Group manages the market risks by dividing them into those arising from the trading position and those arising from the non-trading position.

4.4.2 Risk management

The Group sets and monitors internal capital limits for market and interest rate risk to manage the risks of trading and non-trading positions. In order to manage market risk efficiently, the Group maintains risk management systems and procedures such as trading policies and procedures, market risk management guidelines for trading positions, and ALM risk management guidelines for non-trading positions. The entire process is carried out through the approval of the Risk Management Council and the Risk Management Committee of the Group.

The Group's Risk Management Council establishes and enforces overall market risk management policies for market risk management and decides to establish position limits, loss limits, VaR limits, and approves non-standard new products. In addition, the Market Risk Management Committee, chaired by Chief Risk Officer ("CRO"), is a practical decision-making body for market risk management and determines position limits, loss limits, VaR limits, sensitivity limits, and scenario loss limits for each department of business group.

The Asset-Liability Management Committee ("ALCO") determines interest rate and commission operating standards and ALM operation policies and enacts and revises relevant guidelines. The Risk Management Council monitors the establishment and enforcement of ALM risk management policies and enacts and revises ALM risk management guidelines. Interest rate risk limits are set based on future asset and liability positions and expected interest rate volatility, which reflect annual business plans. The ALM Department and the Risk Management Department regularly measure and monitor interest rate risks and report the status and limit of interest rate risk including changes in Economic Value of Equity ("△EVE"), changes in Net Interest Income ("△NII") and duration gap to the ALCO and the Risk Management Council on a monthly basis, and to the Risk

Management Committee on a quarterly basis. To ensure the adequacy of interest rate and liquidity risk management, the Risk Management Department assigns the limits, monitors and reviews the procedures and tasks of ALM operations conducted by the ALM department, and reports to the management independently.

The Group is closely monitoring the outputs of various industry groups and markets that manage the transition to new interest rate, including announcements by Inter-Bank Offered Rate ("IBOR") regulation authority. Regulation authority has made it clear that as of December 31, 2021, they will no longer persuade or force banks to submit IBORs. In response to these announcements, the Group established an IBOR transition program and plan consisting of major business areas such as finance, accounting, tax, legal, IT, and risk. The program is under the control of the CFO and reports matters to the board of directors and to a council with senior management members. The purpose of the program is to understand where exposure to IBOR occurs within the business and prepare and implement an action plan to facilitate the transition to alternative interest rate. The Group aims to complete the transition and alternative plan by the year-end of 2021. In addition, for CD interest rates, interest rates are being reformed by the relevant institutions that calculate, announce and manage the interest rates, and related institutions such as the Bank of Korea and the financial authorities. The Group continues its efforts as a market participant to actively express opinions so that the index interest rate reform can be carried out in the direction of minimizing the financial and non-financial impacts and operational risks on the Group and minimizing confusion among stakeholders.

4.4.3 Trading position

4.4.3.1 Definition of a trading position

The trading position, which is subject to market risk management, includes interest rates and stock positions held for short-term trading profit. The Group also includes and manages all foreign currency positions in our trading positions. The trading position subject to market risk management is the trading position defined in "Trading Policy and Guidelines" and the basic requirements for the trading position are as follows:

- The target position has no restrictions on the sale, and the daily fair value assessment should be made and the embedded significant risk can be hedged in the market.
- The trading position classification criteria should be clearly defined in the Trading Policy and Guidelines, and the trading position should be managed by a separate trading department.
- The target position must be operated according to the documented trading strategy and the position's limit management must be carried out.
- The specialized dealer or operating department shall have the authority to execute the transaction without prior approval from the Risk Management Department, etc. within the pre-determined limits of the target position.
- Target positions should be periodically reported to management for risk management of the Group.

4.4.3.2 Observation method of market risk arising from trading positions

The Group measures market risk by calculating VaR through the market risk management system for all trading positions. Generally, the Group manages market risks arising from trading positions at the portfolio level. In addition, the Group controls and manages the risk of derivative financial instrument transactions in accordance with the Financial Supervisory Service regulations and guidelines.

4.4.3.3 VaR

(a) VaR

The Group uses the risk-based valuation method (VaR) to measure the market risk of the trading position.

The Group uses the 10-day VaR, which represents the maximum amount of possible loss of 10 business days based on the historical simulation model of the full valuation method. The distribution of value changes in the portfolio is estimated based on data from the past 250 business days, and 10-day VaR is calculated by the difference between the value of the portfolio at a 99% confident level of distribution of value changes in the portfolio and the current market value.

VaR is a commonly used market risk measurement technique. However, this approach has some limitations. VaR estimates possible losses under certain confidence level based on historical market change data. However, since past market changes cannot reflect all future conditions and circumstances, the timing and magnitude of actual losses may vary depending on assumptions in the calculation process. If one day or ten days of the holding period which is generally used for normal period of liquidating the position, is not sufficient or too long, the VaR result may underestimate or overestimate the potential loss.

When the Group measures market risk for trading position, it uses an internal model (VaR) for general risk and a standard method for individual risks. Standard method is used if internal model is not authorized for certain market risk. Therefore, disclosed market risk VaR does not reflect the market risk for individual risks and for some positions.

(b) Back-Testing

To verify the appropriateness of the VaR model, back-testing is performed by comparing actual and hypothetical gains and losses with the VaR calculation results.

(c) Stress Testing

The Group carries out a stress testing of the trading and available-for-sale portfolio to reflect changes in individual risk factors such as interest rates, stock prices, exchange rates, and implied volatility of options that have a significant impact on portfolio value in a crisis. The Group carries out a stress testing through historical and hypothetical scenarios. This stress testing is carried out more than once a quarter.

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

(In millions of Korean won)	**2020**			
	Average	**Minimum**	**Maximum**	**Dec. 31, 2020**
Interest rate risk	59,147	9,588	105,983	50,795
Stock price risk	15,379	3,787	24,821	24,821
Foreign exchange rate risk	36,281	5,302	67,766	49,338
Deduction of diversification effect				(7,320)
Total VaR	105,428	14,225	158,798	117,634

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

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

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Interest rate risk	40,290	83,731
Stock price risk	7,088	1,954
Foreign exchange rate risk	23,938	1,850
	71,316	87,535

4.4.3.4 Details of risk factors

(a) Interest rate risk

The interest rate risk for trading positions usually arises from debt securities denominated in Korean won. The Group's trading strategy is to gain short-term trading gains from interest rate fluctuations. The Group manages interest rate risks associated with trading portfolios using VaR and sensitivity analysis (Price Value of a Basis Point: PVBP).

(b) Stock price risk

Stock price risk arises mainly from stock positions held by principal guaranteed trust and derivatives linked to stocks positions in the Capital Markets Department. This stock price risk is managed through VaR, sensitivity limits, etc.

(c) Foreign exchange rate risk

Foreign exchange rate risk arises from holding assets, liabilities and currency-related derivatives which are denominated in foreign currency. Most of the net foreign currency exposures occur in the US dollars and the Chinese Yuan. The Group also manages net foreign exchange exposures across trading and non-trading portfolios by setting a net foreign currency exposure limit at the same time setting a loss limit.

4.4.4 Non-trading position (Interest Rate Risk of Banking Book ("IRRBB"))

4.4.4.1 Definition of IRRBB

IRRBB is a change in equity and profit due to the changes in value of interest-sensitive assets, liabilities, etc., and is measured by △EVE and △NII.

4.4.4.2 Bank’s overall interest rate risk management and mitigation strategy

The Risk Management Committee approves policies, procedures and limits for managing interest rate risk, and the management department regularly reports on interest rate risk levels of △EVE, △NII and changes of market condition etc., as compared to the set limit. To measure the sensitivity of a bank's economic value and earnings-based measure as interest rates change, the Bank calculates monthly interest rate gap and duration gap for assets and liabilities. In addition, the management department conducts an interest rate risk crisis analysis at least once a quarter assuming abnormal interest rate fluctuations and reports the results to the Risk Management Council. Independent internal and external audits regularly check the process of identifying, measuring and monitoring interest rate risks. The interest rate risk model adequacy test is carried out regularly at least once a year by verification department independent of the management department.

4.4.4.3 Main modeling assumption used for the Bank’s interest rate risk measurement system for internal management

The Bank separately calculates △ EVE for internal management of interest rate risk, assuming a historical-simulation based on interest rate volatility in the past financial crisis (FY08-FY09), distribution of assets/liabilities portfolio, and 27 interest rate gaps considering management strategy.

4.4.4.4 The Bank’s interest rate risk hedging methodology and related accounting

The Bank hedges interest rate risk through back-to-back interest rate swap transactions, which are the same as interest payment cash flows. The Bank officially documents and manages the risk management strategy for hedge accounting, risk management objectives, hedging relationship, and assessment method for hedge effectiveness.

4.4.4.5 Main assumptions used for calculating △EVE, △NII

The Bank calculates interest rate risk, including all cash flow of interest-sensitive assets, liabilities, and off-balance items in the banking book. △EVE assumes a run-off balance sheet where the existing bank account positions are amortized and not replaced by new businesses. In addition, the contractual interest rate, including commercial margins and other interest rate components, is applied to generate cash flows. In case of discounting cash flow, △EVE is calculated by applying risk-free interest rates that do not include commercial margins and other interest components.

△NII assumes a constant balance sheet in which cash flows that mature or interest rates are revised during the target management period are replaced by new cash flows that have the same characteristics. The interest rate risk is calculated for the interest rate shock scenario by adding up only if the risk is a loss for each currency. The average interest rate revision maturity of demand deposits is determined by dividing them into retail transactional, retail non-transactional and wholesale based on customer and regular transactions and taking into account the core deposit rates and the upper average maturity limit for each category. The average interest rate revision maturity for demand deposits is 2.5 years for core deposits, 1 day for non-core deposits, and the longest interest rate revision maturity is five years. The prepayment rate of fixed-rate loan and early redemption rate of term deposit are estimated by dividing the amount of prepayment amount and early redemption amount during the previous month by the balance at the end of the previous month, respectively.

4.4.4.6 △EVE, △NII

The Bank calculates △EVE by applying six interest rate shocks and stress scenarios, and △NII by applying parallel shock up and down scenarios. The results as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**		**December 31, 2019**	
	Changes in the Economic Value of Equity Capital (△EVE)	**Changes in net interest income (△NII)**	**Changes in the Economic Value of Equity Capital (△EVE)**	**Changes in net interest income (△NII)**
Scenario 1 (Parallel rise)	544,087	415,339	483,207	152,013
Scenario 2 (Parallel decline)	-	-	31,718	9,717
Scenario 3 (Short-term decline, long-term rise)	245,337		257,756	
Scenario 4 (Short-term rise, long-term decline)	423,673		411,237	
Scenario 5 (Short-term rise)	466,220		378,380	
Scenario 6 (Short-term decline)	480,246		492,047	
Maximum of 6 scenarios	544,087	415,339	492,047	152,013
Basic capital	28,234,310	-	27,609,684	-

4.4.5 Financial assets and liabilities denominated in foreign currencies

Details of financial instruments denominated in foreign currencies and translated into Korean won as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020						
	USD	JPY	EUR	GBP	CNY	Others	Total
Financial assets							
Cash and due from financial institutions	3,765,956	528,056	211,266	57,386	815,865	819,591	6,198,120
Financial assets at fair value through profit or loss	1,494,702	449	198,613	627	-	87,780	1,782,171
Derivatives held for trading	190,110	-	-	-	4,344	203	194,657
Derivatives held for hedging	112,431	-	-	-	-	-	112,431
Loans measured at amortized cost	18,055,973	550,793	1,097,069	221,880	1,617,715	5,222,701	26,766,131
Financial assets at fair value through other comprehensive income	4,353,660	5,271	9,438	-	342,804	203,469	4,914,642
Financial assets at amortized cost	317,662	-	-	-	108,594	408,590	834,846
Other financial assets	1,776,965	49,660	200,083	5,504	103,064	272,851	2,408,127
	30,067,459	1,134,229	1,716,469	285,397	2,992,386	7,015,185	43,211,125
Financial liabilities							
Derivatives held for trading	334,938	65	109	-	42,023	8,733	385,868
Derivatives held for hedging	66,305	-	-	-	-	-	66,305
Deposits	15,927,312	923,353	917,479	66,372	1,750,298	4,305,293	23,890,107
Borrowings	9,241,832	485,618	321,705	218,578	439	1,231,359	11,499,531
Debentures	4,798,724	-	666,873	-	-	308,675	5,774,272
Other financial liabilities	2,625,818	38,752	93,949	9,491	34,716	195,272	2,997,998
	32,994,929	1,447,788	2,000,115	294,441	1,827,476	6,049,332	44,614,081
Off-balance sheet items	13,295,571	32,200	254,222	741	253,472	575,914	14,412,120

(In millions of Korean won)	December 31, 2019						
	USD	JPY	EUR	GBP	CNY	Others	Total
Financial assets							
Cash and due from financial institutions	1,914,554	254,502	145,066	33,239	1,148,375	490,021	3,985,757
Financial assets at fair value through profit or loss	1,700,956	3,387	165,330	3,373	-	23,355	1,896,401
Derivatives held for trading	98,786	-	-	-	6,786	-	105,572
Derivatives held for hedging	83,610	-	-	-	-	-	83,610
Loans measured at amortized cost	14,070,820	465,849	593,530	137,585	1,205,297	613,780	17,086,861
Financial assets at fair value through other comprehensive income	3,953,899	21,267	5,192	-	282,390	37,977	4,300,725
Financial assets at amortized cost	1,026,325	-	-	-	97,844	-	1,124,169
Other financial assets	1,193,680	230,223	289,187	5,178	167,525	87,967	1,973,760
	24,042,630	975,228	1,198,305	179,375	2,908,217	1,253,100	30,556,855
Financial liabilities							
Derivatives held for trading	212,569	6	53	-	7,806	-	220,434
Derivatives held for hedging	35,538	-	-	-	-	-	35,538
Deposits	11,939,600	731,178	761,897	45,340	1,471,566	530,990	15,480,571
Borrowings	8,576,321	125,096	340,530	118,848	15,092	73,640	9,249,527
Debentures	4,083,040	-	-	-	-	101,967	4,185,007
Other financial liabilities	2,111,089	59,761	97,325	21,583	173,480	163,990	2,627,228
	26,958,157	916,041	1,199,805	185,771	1,667,944	870,587	31,798,305
Off-balance sheet items	16,745,727	32,694	191,210	-	252,369	37,195	17,259,195

4.5 Operational Risk

4.5.1 Concept

The Group defines operational risks broadly as all financial and non-financial risks from operating activities that negatively affect capital.

4.5.2 Risk management

The purpose of operational risk management is not only to comply with supervisory and regulatory requirements, but also to spread risk management culture, strengthen internal control, improve processes and provide timely feedback to management and all employees. The Group established a Business Continuity Planning (BCP) to carry out continuous work in emergency situations and established alternative facilities. The Group conducts simulation training for headquarters and IT departments to check the business continuity framework.

4.6 Capital Management

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

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

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

- Common Equity Tier 1 Capital: Common equity Tier 1 Capital is the first to take losses in the Group and is the last to be compensated in liquidation of the Group and not repaid except for liquidation. It includes capital, capital surplus, retained earnings, non-controlling interests of the consolidated subsidiaries, accumulated other comprehensive income and other capital surplus etc.

- Additional Tier 1 Capital: Additional Tier 1 Capital includes capital, capital surplus, etc. related to the issuance of capital securities of a permanent nature that meets the conditional capital securities requirements.

- Tier 2 Capital: Tier 2 Capital means capital that can compensate for losses of the Group upon liquidation, including (a) the amount of subordinated bonds with maturity of not less than 5 years that meet the conditional capital securities requirements, and (b) the allowance for credit losses accumulated on the loans which are classified as normal or precautionary in accordance with Regulation on Supervision of Financial Holding Companies and others.

The risk-weighted assets are the magnitude of the amount of risk inherent in the total asset held by the Group. The Group calculates risk-weighted assets by each risk (credit risk, market risk, and operational risk) based on the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies and uses them to calculate BIS ratio. The Group complied with external capital adequacy requirements as of December 31, 2020 and 2019.

Apart from the BIS ratio, the Group evaluates and manages capital adequacy through internal policies. The valuation of capital adequacy compares the size of available capital (the amount of capital actually available) to the size of internal capital (the amount of capital required to cover all the significant risks faced by the Group under its target credit rating), which monitors financial soundness and provides a risk-adjusted performance measurement basis. The internal capital for capital adequacy assessment is calculated by adding the results of a stress test and other additional capital requirements to the internal capital calculated for each individual risk.

The Risk Management Committee of the Group determines the risk appetite of the Group, allocates internal capital by risk type and business group, and each business group operates capital efficiently within the range of the allocated internal capital. The Risk Management Department of the Group monitors internal capital limit management and reports it to the management and the Risk Management Committee. If the limit of internal capital is expected to be exceeded, the Group’s capital adequacy management is carried out through review and approval by the Risk Management Committee in advance.

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

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Equity Capital	32,554,705	29,809,730
Tier I Capital	28,234,310	27,609,684
Common Equity Tier 1 Capital	27,659,787	27,035,161
Additional Tier 1 Capital	574,523	574,523
Tier II Capital	4,320,395	2,200,046
Risk-weighted assets:	183,148,273	188,075,177
Credit risk [1]	160,817,395	172,985,173
Market risk [2]	11,372,840	5,150,641
Operational risk [3]	10,958,038	9,939,363
Equity Capital (%):	17.78	15.85
Tier I Capital (%)	15.42	14.68
Common Equity Tier 1 Capital (%)	15.10	14.37

[1] Credit risk weighted assets are measured using the Internal Rating-Based Approach and Standardized Approach.
[2] Market risk weighted assets are measured using the Internal Model-Based Approach and Standardized Approach.
[3] Operational risk weighted assets are measured using the Advanced Measurement Approach.

5. Segment Information

5.1 Overall Segment Information and Business Segments

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

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

Financial information by business segment for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020				
	Corporate banking	Retail banking	Others	Consolidation adjustment	Total
Operating revenues from external customers	2,930,827	2,918,826	1,987,012	-	7,836,665
Intersegment operating revenues (expenses)	80,973	-	50,516	(131,489)	-
	3,011,800	2,918,826	2,037,528	(131,489)	7,836,665
Net interest income	3,238,002	3,178,280	344,078	(5,594)	6,754,766
Interest income	4,899,943	4,519,579	1,062,698	(26,055)	10,456,165
Interest expense	(1,661,941)	(1,341,299)	(718,620)	20,461	(3,701,399)
Net fee and commission income	363,459	406,603	323,135	(25,275)	1,067,922
Fee and commission income	480,190	529,178	468,101	(27,782)	1,449,687
Fee and commission expense	(116,731)	(122,575)	(144,966)	2,507	(381,765)
Net gains (losses) on financial instruments at fair value through profit or loss	(52,493)	-	408,464	(111,788)	244,183
Net other operating income (expense)	(537,168)	(666,057)	961,851	11,168	(230,206)
General and administrative expenses	(1,555,090)	(2,072,515)	(574,073)	332	(4,201,346)
Operating profit before provision for credit losses	1,456,710	846,311	1,463,455	(131,157)	3,635,319
Provision for credit losses	(204,302)	(264,943)	(15,267)	330	(484,182)
Operating profit	1,252,408	581,368	1,448,188	(130,827)	3,151,137
Share of loss of associates	-	-	(48,158)	-	(48,158)
Net other non-operating income (expenses)	5,490	-	82,731	(59,377)	28,844
Segment profit before income tax expense	1,257,898	581,368	1,482,761	(190,204)	3,131,823
Income tax expense	(339,728)	(159,876)	(347,199)	34,499	(812,304)
Profit for the year	918,170	421,492	1,135,562	(155,705)	2,319,519
Profit attributable to the shareholder of the Parent Company	917,955	421,492	1,135,562	(176,814)	2,298,195
Profit attributable to non-controlling interests	215	-	-	21,109	21,324
Total assets *	164,323,181	161,330,053	119,529,291	(6,738,411)	438,444,114
Total liabilities *	167,236,387	176,571,944	66,577,810	(2,350,101)	408,036,040

(In millions of Korean won)	2019				
	Corporate banking	**Retail banking**	**Others**	**Consolidation adjustment**	**Total**
Operating revenues from external customers	2,557,438	2,979,503	1,782,127	-	7,319,068
Intersegment operating revenues (expenses)	22,838	-	24,382	(47,220)	-
	2,580,276	2,979,503	1,806,509	(47,220)	7,319,068
Net interest income	2,844,881	3,148,061	370,603	242	6,363,787
Interest income	4,642,555	4,872,937	1,302,085	(37,629)	10,779,948
Interest expense	(1,797,674)	(1,724,876)	(931,482)	37,871	(4,416,161)
Net fee and commission income	349,393	471,869	329,432	(17,398)	1,133,296
Fee and commission income	459,879	577,845	473,637	(27,999)	1,483,362
Fee and commission expense	(110,486)	(105,976)	(144,205)	10,601	(350,066)
Net gains (losses) on financial instruments at fair value through profit or loss	(2,527)	-	474,420	(49,269)	422,624
Net other operating income (expenses)	(611,471)	(640,427)	632,054	19,205	(600,639)
General and administrative expenses	(1,241,721)	(1,982,375)	(663,618)	295	(3,887,419)
Operating profit before provision for credit losses	1,338,555	997,128	1,142,891	(46,925)	3,431,649
Reversal (provision) for credit losses	125,919	(235,995)	7,582	(1,036)	(103,530)
Operating profit	1,464,474	761,133	1,150,473	(47,961)	3,328,119
Share of profit of associates	-	-	29,240	-	29,240
Net other non-operating expenses	(263)	-	(19,741)	(18,883)	(38,887)
Segment profit before income tax expense	1,464,211	761,133	1,159,972	(66,844)	3,318,472
Income tax expense	(404,425)	(209,311)	(265,190)	(467)	(879,393)
Profit for the year	1,059,786	551,822	894,782	(67,311)	2,439,079
Profit attributable to the shareholder of the Parent Company	1,059,786	551,822	894,782	(67,311)	2,439,079
Profit attributable to non-controlling interests	-	-	-	-	-
Total assets *	139,496,394	147,468,173	104,297,056	(3,836,585)	387,425,038
Total liabilities *	142,063,121	161,834,984	56,127,857	(1,605,157)	358,420,805

* Assets and liabilities of the reporting segments are amounts before intersegment transactions.

5.2 Services and Geographical Segments

5.2.1 Services information

Operating revenues from external customers by services for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**	**2019**
Corporate banking service	2,930,827	2,557,438
Retail banking service	2,918,826	2,979,503
Other service	1,987,012	1,782,127
	7,836,665	7,319,068

5.2.2 Geographical information

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

(In millions of Korean won)	**Revenues from external customers**		**Major non-current assets**	
	2020	**2019**	**December 31, 2020**	**December 31, 2019**
Domestic	7,416,339	7,156,642	4,462,857	4,488,801
United States	3,071	13,971	8,206	9,452
New Zealand	3,554	6,946	2,385	3,516
China	67,064	92,475	12,230	12,946
Japan	7,933	6,692	2,607	3,480
Myanmar	6,646	4,002	4,309	1,570
Vietnam	38,983	10,449	2,167	1,938
Cambodia	238,045	14,764	28,709	3,944
United Kingdom	27,092	9,958	1,250	1,893
Indonesia	13,995	-	360,202	-
India	13,943	3,169	1,155	1,533
Consolidation adjustments	-	-	436,572	-
	7,836,665	7,319,068	5,322,649	4,529,073

6. Financial Assets and Financial Liabilities

6.1 Classification and Fair Value

6.1.1 Carrying amount and fair value of financial assets and liabilities by category as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020	
	Carrying amount	Fair value
Financial assets		
Cash and due from financial institutions	19,972,269	19,974,488
Financial assets at fair value through profit or loss	16,042,357	16,042,357
Debt securities	15,707,842	15,707,842
Equity securities	205,794	205,794
Loans	38,756	38,756
Others	89,965	89,965
Derivatives held for trading	4,291,829	4,291,829
Derivatives held for hedging	164,839	164,839
Loans measured at amortized cost	327,332,495	328,145,460
Financial assets at fair value through other comprehensive income	42,698,069	42,698,069
Debt securities	39,960,675	39,960,675
Equity securities	2,502,614	2,502,614
Loans	234,780	234,780
Securities measured at amortized cost	15,588,413	15,655,381
Other financial assets	5,986,686	5,986,686
	432,076,957	432,959,109
Financial liabilities		
Financial liabilities at fair value through profit or loss	141,277	141,277
Derivatives held for trading	4,215,097	4,215,097
Derivatives held for hedging	67,267	67,267
Deposits	330,352,491	330,601,366
Borrowings	26,870,831	26,878,476
Debentures	26,969,584	27,131,418
Other financial liabilities	16,976,326	16,976,326
	405,592,873	406,011,227

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

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

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

Cash and due from financial institutions	The carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is measured using DCF model (Discounted Cash Flow Model).
Securities **Due from financial institutions and deposits indexed to gold price**	Fair value of securities and due from financial institutions and deposits indexed to gold price that are quoted in active markets is determined using the quoted prices. If there is no quoted price, fair value is determined using external professional valuation institution. The institutions use one or more of the following valuation techniques including DCF Model, MonteCarlo Simulation, FCFE (Free Cash Flow to Equity Model), Comparable Company Analysis, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method, deemed suitable considering the characteristics of the financial instruments.
Loans	The fair value of loans is determined using DCF Model and independent external professional valuation institution. Fair value measured by DCF Model is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate. Fair value of the other loans is determined by external professional valuation institution using Tree Model.
Derivatives	For exchange traded derivatives, quoted price in an active market is used to determine fair value and for OTC derivatives, fair value is determined using valuation techniques. The Group uses internally developed valuation models that are widely used by market participants to determine fair values of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including the Finite Difference Method ("FDM"), the MonteCarlo Simulation and the Tree model or valuation results from independent external professional valuation institution. For OTC derivatives, the credit risk of counterparty and the Group's own credit risk are applied through Credit Valuation Adjustment ("CVA").
Deposits	The carrying amount of demand deposits is regarded as representative of fair value because they do not have a fixed maturity and are payable on demand. Fair value of time deposits is determined using a DCF model. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
Borrowings	The carrying amount of overdraft in foreign currency is regarded as representative of fair value because they do not have a fixed maturity and are payable on demand. Fair value of other borrowings is determined using a DCF model discounting contractual future cash flows at an appropriate discount rate.

Debentures	Fair value is determined by using the valuation results (DCF Model) of external professional valuation institution, which are calculated using market inputs.
Other financial assets and other financial liabilities	The carrying amounts are reasonable approximation of fair values. These financial instruments are temporary accounts used for other various transactions and their maturities are relatively short or not defined.

6.1.2 Fair value hierarchy

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

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

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

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

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

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy.

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

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

(In millions of Korean won)	**December 31, 2020**			
	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at fair value through profit or loss	4,587,921	9,182,082	2,272,354	16,042,357
Debt securities	4,344,334	9,182,082	2,181,426	15,707,842
Equity securities	153,622	-	52,172	205,794
Loans	-	-	38,756	38,756
Others	89,965	-	-	89,965
Derivatives held for trading	-	4,291,785	44	4,291,829
Derivatives held for hedging	-	164,839	-	164,839
Financial assets at fair value through other comprehensive income	9,918,763	30,861,326	1,917,980	42,698,069
Debt securities	9,334,129	30,626,546	-	39,960,675
Equity securities	584,634	-	1,917,980	2,502,614
Loans	-	234,780	-	234,780
	14,506,684	44,500,032	4,190,378	63,197,094
Financial liabilities				
Financial liabilities at fair value through profit or loss	141,277	-	-	141,277
Derivatives held for trading	-	4,214,990	107	4,215,097
Derivatives held for hedging	-	67,267	-	67,267
	141,277	4,282,257	107	4,423,641

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

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

(In millions of Korean won)	December 31, 2020		
	Fair value	Valuation techniques	Inputs
Financial assets			
Financial assets at fair value through profit or loss	9,182,082		
Debt securities	9,182,082	DCF Model, MonteCarlo Simulation, Net Asset Value	Discount rate, interest rate, prices of underlying assets (debt securities, stocks, etc.)
Derivatives held for trading	4,291,785	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price and others
Derivatives held for hedging	164,839	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate and others
Financial assets at fair value through other comprehensive income	30,861,326		
Debt securities	30,626,546	DCF Model	Discount rate
Loans	234,780	DCF Model	Discount rate
	44,500,032		
Financial liabilities			
Derivatives held for trading	4,214,990	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price and others

Derivatives held for hedging	67,267	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate and others
	4,282,257		

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

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

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

(In millions of Korean won)	**December 31, 2020**			
	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Cash and due from financial institutions [1]	2,884,215	15,878,268	1,212,005	19,974,488
Loans measured at amortized cost	-	-	328,145,460	328,145,460
Securities measured at amortized cost	4,125,052	11,530,329	-	15,655,381
Other financial assets [2]	-	-	5,986,686	5,986,686
	7,009,267	27,408,597	335,344,151	369,762,015
Financial liabilities				
Deposits [1]	-	174,488,438	156,112,928	330,601,366
Borrowings [1]	-	295	26,878,181	26,878,476
Debentures	-	27,131,418	-	27,131,418
Other financial liabilities [2]	-	-	16,976,326	16,976,326
	-	201,620,151	199,967,435	401,587,586

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

[1] The amounts included in Level 2 are the carrying amounts which are reasonable approximation of the fair value.

[2] Other financial assets and other financial liabilities included in Level 3 are the carrying amounts which are reasonable approximation of fair value.

For financial assets and liabilities whose carrying amount is a reasonable approximation of fair value, valuation techniques and inputs are not disclosed.

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

(In millions of Korean won)	December 31, 2020		
	Fair value	**Valuation techniques**	**Inputs**
Financial assets			
Securities measured at amortized cost	11,530,329	DCF Model, MonteCarlo Simulation	Discount rate, interest rate
Financial liabilities			
Debentures	27,131,418	DCF Model	Discount rate

(In millions of Korean won)	December 31, 2019		
	Fair value	**Valuation techniques**	**Inputs**
Financial assets			
Securities measured at amortized cost	9,683,683	DCF Model, MonteCarlo Simulation	Discount rate, interest rate
Financial liabilities			
Debentures	18,959,416	DCF Model	Discount rate

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

(In millions of Korean won)

	December 31, 2020			
	Fair value	**Valuation techniques**	**Inputs**	**Unobservable inputs**
Financial assets				
Cash and due from financial institutions	1,212,005	DCF Model	Credit spread, other spread, interest rate	Credit spread, other spread
Loans measured at amortized cost	328,145,460	DCF Model	Credit spread, other spread, prepayment rate, interest rate	Credit spread, other spread, prepayment rate
	329,357,465			
Financial liabilities				
Deposits	156,112,928	DCF Model	Other spread, prepayment rate, interest rate	Other spread, prepayment rate
Borrowings	26,878,181	DCF Model	Other spread, interest rate	Other spread
	182,991,109			

(In millions of Korean won)

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

6.2 Disclosure of Fair Value Hierarchy Level 3

6.2.1 Valuation policy and process of Level 3 fair value

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

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

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

6.2.2.1 Changes in financial instruments classified as Level 3 of the fair value hierarchy for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020				
	Financial assets at fair value through profit or loss		Financial investments	Net derivatives financial instruments	
	Securities measured at fair value through profit or loss	Loans measured at fair value through profit or loss	Equity securities measured at fair value through other comprehensive income	Derivatives held for trading	Derivatives held for hedging
Beginning	1,897,487	188,133	1,041,246	(416)	-
Total gains or losses					
- Profit or loss	62,611	627	-	171	-
- Other comprehensive income	-	-	784,051	-	-
Purchases	703,320	-	92,699	3	-
Sales	(429,820)	(150,004)	(16)	-	-
Transfers into Level 3	-	-	-	179	-
Ending	2,233,598	38,756	1,917,980	(63)	-

(In millions of Korean won)

	2019				
	Financial assets at fair value through profit or loss		Financial investments	Net derivatives financial instruments	
	Securities measured at fair value through profit or loss	Loans measured at fair value through profit or loss	Equity securities measured at fair value through other comprehensive income	Derivatives held for trading	Derivatives held for hedging
Beginning	1,520,631	212,596	927,577	(708)	-
Total gains or losses					
- Profit or loss	35,553	10,412	-	3,233	-
- Other comprehensive income	-	-	36,714	-	-
Purchases	617,814	154,005	78,626	-	-
Sales	(276,511)	(188,880)	(1,671)	-	-
Settlements	-	-	-	(2,941)	-
Ending	1,897,487	188,133	1,041,246	(416)	-

6.2.2.2 In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the year, and total gains or losses recognized in profit or loss from financial instruments held at the end of the reporting period for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		
	Net gains on financial instruments at fair value through profit or loss	Other operating expenses	Net interest income
Total gains (losses) recognized in profit or loss for the year	79,025	(15,616)	-
Total gains (losses) recognized in profit or loss from financial instruments held at the end of the reporting year	74,955	(15,616)	-

(In millions of Korean won)

	2019		
	Net gains on financial instruments at fair value through profit or loss	Other operating income	Net interest income
Total gains recognized in profit or loss for the year	47,801	1,375	22
Total gains recognized in profit or loss from financial instruments held at the end of the reporting year	39,472	1,319	-

6.2.3 Sensitivity analysis of changes in unobservable inputs

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

(In millions of Korean won)

	December 31, 2020					
	Fair value	**Valuation techniques**	**Inputs**	**Unobservable inputs**	**Range of unobservable inputs (%)**	**Relationship of unobservable inputs to fair value**
Financial assets						
Financial assets at fair value through profit or loss						
Debt securities	2,181,426	MonteCarlo Simulation, Net Asset Value, DCF Model	Price of underlying asset, interest rate, dividend yield, volatilities and correlation of underlying asset, discount rate, liquidation value, volatility of the real estate price	Volatilities of the underlying asset	5.47 ~ 26.70	Higher the volatility, higher the fair value fluctuation
				Correlation of underlying asset	14.83 ~ 100.00	Higher the correlation, higher the fair value fluctuation
				Discount rate	8.63 ~ 21.37	Lower the discount rate, higher the fair value
				Liquidation value	0.00	Higher the liquidation value, higher the fair value
				Volatility of the real estate price	0.00	Higher the sale price, higher the fair value
Equity securities	52,172	DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method	Growth rate, discount rate	Growth rate	0.00	Higher the growth rate, higher the fair value
				Discount rate	7.64 ~ 18.67	Lower the discount rate, higher the fair value
Loans	38,756	DCF Model	Discount rate	Discount rate	7.86	Lower the discount rate, higher the fair value
Derivatives held for trading						
Stock and index	44	Tree Model	Price of underlying asset, volatility of underlying asset	Volatility of the underlying asset	22.11 ~26.24	Higher the volatility, higher the fair value fluctuation
Currency	-	DCF Model	Interest rate, foreign exchange rate, loss given default ratio	Loss given default ratio	0.00	Higher the loss given default ratio, lower the fair value
Financial assets at fair value through other comprehensive income						
Equity securities	1,917,980	DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method, Tree model	Growth rate, discount rate, stock price, volatility of the stock price	Growth rate	0.00	Higher the growth rate, higher the fair value
				Discount rate	9.90 ~ 19.67	Lower the discount rate, higher the fair value
				Volatility of the stock price	22.11 ~24.16	Higher the volatility, higher the fair value fluctuation
	4,190,378					
Financial liabilities						
Derivatives held for trading						
Others	107	DCF Model	Interest rate, discount rate	Discount rate	1.15 ~ 1.29	Higher the discount rate, lower the fair value
	107					

(In millions of Korean won)

	December 31, 2019					
	Fair value	Valuation techniques	Inputs	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets						
Financial assets at fair value through profit or loss						
Debt securities	1,853,440	MonteCarlo Simulation, Net Asset Value, DCF Model	Price of underlying asset, interest rate, dividend yield, volatilities and correlation of underlying asset, discount rate, liquidation value, volatility of the real estate price	Volatilities of the underlying asset	16.80 ~ 30.55	Higher the volatility, higher the fair value fluctuation
				Correlation of underlying asset	3.11 ~ 95.67	Higher the correlation, higher the fair value fluctuation
				Discount rate	7.47	Lower the discount rate, higher the fair value
				Liquidation value	0.00	Higher the liquidation value, higher the fair value
				Volatility of the real estate price	0.00	Higher the sale price, higher the fair value
Equity securities	44,047	DCF Model, Comparable Company Analysis	Growth rate, discount rate	Growth rate	0.00	Higher the growth rate, higher the fair value
				Discount rate	5.89 ~ 16.15	Lower the discount rate, higher the fair value
Loans	188,133	Tree Model, DCF Model	Stock price, volatility of the stock price, discount rate	Volatility of the stock price	12.91 ~ 48.28	Higher the volatility, higher the fair value fluctuation
				Discount rate	10.81	Lower the discount rate, higher the fair value
Derivatives held for trading						
Stock and index	70	Tree Model	Price of underlying asset, interest rate, volatility of underlying asset, dividend yield	Volatility of the underlying asset	21.85	Higher the volatility, higher the fair value fluctuation
Financial assets at fair value through other comprehensive income						
Equity securities	1,041,247	DCF Model, Comparable Company Analysis, Tree Model	Growth rate, discount rate, stock price, volatility of the stock price	Growth rate	0.00	Higher the growth rate, higher the fair value
				Discount rate	3.04 ~ 16.37	Lower the discount rate, higher the fair value
				Volatility of the stock price	20.97 ~ 22.19	Higher the volatility, higher the fair value fluctuation
	3,126,937					
Financial liabilities						
Derivatives held for trading						
Others	484	MonteCarlo Simulation, DCF Model	Stock price, interest rate, volatility of the stock price, volatility of the interest rate, discount rate	Volatility of the stock price	16.28	Higher the volatility, higher the fair value fluctuation
				Volatility of the interest rate	0.52	Higher the volatility, higher the fair value fluctuation
				Discount rate	1.94 ~ 2.00	Higher the discount rate, lower the fair value
	484					

6.2.3.2 Sensitivity analysis of changes in unobservable inputs

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

Results of the sensitivity analysis of changes in inputs as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**			
	Profit or loss		**Other comprehensive Income (loss)**	
	Favorable changes	**Unfavorable changes**	**Favorable changes**	**Unfavorable changes**
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities [3, 5]	8,051	(6,604)	-	-
Equity securities [2, 5]	8,112	(4,545)	-	-
Loans [4]	3,316	(2,952)	-	-
Derivatives held for trading [1]	8	(8)	-	-
Financial assets at fair value through other comprehensive income				
Equity securities [2, 5, 6]	-	-	94,084	(55,297)
	19,487	(14,109)	94,084	(55,297)
Financial liabilities				
Derivatives held for trading [1]	3	(3)	-	-
	3	(3)	-	-

(In millions of Korean won)	December 31, 2019			
	Profit or loss		Other comprehensive Income (loss)	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities [3, 5]	3,374	(3,429)	-	-
Equity securities [2, 5]	10,906	(3,858)	-	-
Loans [4]	6,362	(4,344)	-	-
Derivatives held for trading [1]	1	(1)	-	-
Financial assets at fair value through other comprehensive income				
Equity securities [2, 5, 6]	-	-	188,090	(94,201)
	20,643	(11,632)	188,090	(94,201)
Financial liabilities				
Derivatives held for trading [1]	17	(17)	-	-
	17	(17)	-	-

[1] For derivative financial instruments, changes in fair value are calculated by shifting principal unobservable input parameters; such as the price and the volatility of the underlying asset by ± 10%, and the loss given default ratio by ± 1% for some derivatives as of December 31, 2019.

[2] For equity securities, changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate (-1~1%) and growth rate (0~0.5%).

[3] For beneficiary certificates, it is practically impossible to analyze sensitivity of changes in unobservable inputs. But only for beneficiary certificates whose underlying assets are real estates, changes in fair value are calculated by shifting volatility of real estate price (-1~1%). For equity investments, changes in fair value are calculated by shifting the liquidation value (-1~1%) and the discount rates (-1~1%). There was no significant correlation among major unobservable inputs.

[4] For loans, changes in fair value are calculated by shifting principal unobservable input parameters such as stock prices, and volatility of stock prices (-10~10%) and discount rate (-1~1%).

[5] The amounts of ₩ 2,992,304 million and ₩ 1,634,734 million of financial assets classified as level 3 as of December 31, 2020 and 2019, respectively, are excluded because it is practically impossible to analyze sensitivity of changes in unobservable inputs.

[6] For some equity securities, changes in fair value are calculated by shifting principal unobservable input parameters such as stock prices and volatilities of stock prices by ± 10%.

6.2.4 Day one gains or losses

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

Changes in aggregate deferred differences for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**	**2019**
Balance at the beginning of the year (A)	(1,778)	(2,916)
New transactions (B)	-	-
Amounts recognized in profit or loss (C=a+b)	1,141	1,138
a. Amortization	1,141	1,138
b. Settlement	-	-
Balance at the end of the year (A+B+C)	(637)	(1,778)

6.3 Carrying Amounts of Financial Instruments by Category

Financial assets and liabilities are measured at fair value or amortized cost. The carrying amounts of financial assets and liabilities by category as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
	Financial instruments at fair value through profit or loss	**Financial instruments at fair value through other comprehensive income**	**Financial instruments designated at fair value through other comprehensive income**	**Financial instruments at amortized cost**	**Derivatives held for hedging**	**Total**
Financial assets						
Cash and due from financial institutions	-	-	-	19,972,269	-	19,972,269
Financial assets at fair value through profit or loss	16,042,357	-	-	-	-	16,042,357
Derivatives	4,291,829	-	-	-	164,839	4,456,668
Loans measured at amortized cost	-	-	-	327,332,495	-	327,332,495
Financial investments	-	40,195,455	2,502,614	15,588,413	-	58,286,482
Other financial assets	-	-	-	5,986,686	-	5,986,686
	20,334,186	40,195,455	2,502,614	368,879,863	164,839	432,076,957

(In millions of Korean won)	December 31, 2020			
	Financial instruments at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss	141,277	-	-	141,277
Derivatives	4,215,097	-	67,267	4,282,364
Deposits	-	330,352,491	-	330,352,491
Borrowings	-	26,870,831	-	26,870,831
Debentures	-	26,969,584	-	26,969,584
Other financial liabilities	-	16,976,326	-	16,976,326
	4,356,374	401,169,232	67,267	405,592,873

(In millions of Korean won)	December 31, 2019					
	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial assets						
Cash and due from financial institutions	-	-	-	14,481,309	-	14,481,309
Financial assets at fair value through profit or loss	13,866,303	-	-	-	-	13,866,303
Derivatives	2,184,099	-	-	-	133,326	2,317,425
Loans measured at amortized cost	-	-	-	293,531,433	-	293,531,433
Financial investments	-	36,461,280	1,993,674	13,964,339	-	52,419,293
Other financial assets	-	-	-	5,464,704	-	5,464,704
	16,050,402	36,461,280	1,993,674	327,441,785	133,326	382,080,467

(In millions of Korean won)	December 31, 2019			
	Financial instruments at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss	80,235	-	-	80,235
Derivatives	2,132,771	-	36,211	2,168,982
Deposits	-	300,917,482	-	300,917,482
Borrowings	-	19,141,262	-	19,141,262
Debentures	-	18,739,992	-	18,739,992
Other financial liabilities	-	15,446,504	-	15,446,504
	2,213,006	354,245,240	36,211	356,494,457

6.4 Transfer of Financial Assets

6.4.1 Transferred financial assets that are derecognized in their entirety

The Group transferred loans and other financial assets that are derecognized in their entirety, to SPEs (special purpose entities), while the maximum exposure to loss (carrying amount) from its continuing involvement and fair value of its continuing involvement of the derecognized financial assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020			
	Type of continuing involvement	**Classification of financial instruments**	**Carrying amount of continuing involvement**	**Fair value of continuing involvement**
Discovery 2nd Securitization Specialty Co., Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	5,190	5,190
FK 1411 ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	1,062	1,062
AP 3B ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	646	646
AP 4D ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	6,304	6,304
			13,202	13,202

(In millions of Korean won)

	December 31, 2019			
	Type of continuing involvement	**Classification of financial instruments**	**Carrying amount of continuing involvement**	**Fair value of continuing involvement**
Discovery 2nd Securitization Specialty Co., Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	5,596	5,596
FK 1411 ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	5,428	5,428
AP 3B ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	3,205	3,205
AP 4D ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	6,175	6,175
			20,404	20,404

6.4.2 Bonds sold under repurchase agreements and loaned securities

The Group continues to recognize the financial assets related to bonds sold under repurchase agreements and securities lending transactions in the consolidated statement of financial position since those transactions are not qualified for derecognition even though the Group transfers the financial assets. Bonds sold under repurchase agreements are sold on the condition that they will be repurchased at a fixed price and loaned securities will be returned at the expiration of the loan period. Thus, the Group retains substantially all the risks and rewards of ownership of the financial assets. The carrying amount of transferred assets and related liabilities as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**	
	Carrying amount of transferred assets	**Carrying amount of related liabilities**
Bonds sold under repurchase agreements	1,354,289	1,313,483
Loaned securities	741,804	-
Government and public bonds	741,804	-
	2,096,093	1,313,483

(In millions of Korean won)	**December 31, 2019**	
	Carrying amount of transferred assets *	**Carrying amount of related liabilities**
Bonds sold under repurchase agreements	871,929	825,710
Loaned securities	788,790	-
Government and public bonds	788,790	-
	1,660,719	825,710

* Includes borrowed securities amounting to ₩ 44,988 million, as of December 31, 2019.

6.5 Offsetting Financial Assets and Financial Liabilities

The Group enters into International Swaps and Derivatives Association ("ISDA") master netting agreements and other similar netting arrangements with the Group’s OTC derivative and spot exchange counterparties. Similar netting agreements are also entered into with the Group’s (a) sales or purchase of bonds under repurchase agreements and (b) securities lending and borrowing transactions, etc. Pursuant to these agreements, in the event of default by one party, contracts are to be terminated and receivables and payables are to be offset. Further, as the law allows for the right to offset, domestic exchange settlement debits and domestic exchange settlement credits are shown in its net settlement balance in the consolidated statement of financial position. Account receivables and account payables related to listed securities and derivatives or OTC derivatives settled by the central clearing house are included in the other financial instruments. As the Group has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, the net amounts of the other financial instrument balances are presented in the consolidated statement of financial position.

6.5.1 Details of financial assets subject to offsetting, enforceable master netting arrangements or similar agreements as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
				Non-offsetting amount		
	Gross assets	Gross liabilities offset	Net amount in the statement of financial position	Financial instruments	Cash collateral	Net amount
Derivatives held for trading	4,173,489	-	4,173,489	(3,175,203)	(274)	1,162,851
Derivatives held for hedging	164,839	-	164,839			
Receivable spot exchange	3,104,233	-	3,104,233	(3,102,431)	-	1,802
Bonds purchased under repurchase agreements	2,808,380	-	2,808,380	(2,808,380)	-	-
Domestic exchange settlement debits	37,442,464	(36,726,449)	716,015	-	-	716,015
Other financial instruments	20,093	(19,757)	336	-	-	336
	47,713,498	(36,746,206)	10,967,292	(9,086,014)	(274)	1,881,004

(In millions of Korean won)

	December 31, 2019					
				Non-offsetting amount		
	Gross assets	Gross liabilities offset	Net amount in the statement of financial position	Financial instruments	Cash collateral	Net amount
Derivatives held for trading	2,184,029	-	2,184,029	(1,734,044)	(1,210)	582,102
Derivatives held for hedging	133,327	-	133,327			
Receivable spot exchange	3,003,910	-	3,003,910	(3,002,566)	-	1,344
Bonds purchased under repurchase agreements	6,173,038	-	6,173,038	(6,173,038)	-	-
Domestic exchange settlement debits	31,256,658	(30,733,476)	523,182	-	-	523,182
Other financial instruments	14,827	(6,347)	8,480	-	-	8,480
	42,765,789	(30,739,823)	12,025,966	(10,909,648)	(1,210)	1,115,108

6.5.2 Details of financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020					
		Gross	Net amount in the	Non-offsetting amount		
	Gross	assets	statement of	Financial	Cash	
	liabilities	offset	financial position	instruments	collateral	Net amount
Derivatives held for trading	4,148,295	-	4,148,295			
Derivatives held for				(2,395,773)	-	1,819,789
hedging	67,267	-	67,267			
Payable spot exchange	3,103,095	-	3,103,095	(3,102,431)	-	664
Bonds sold under						
repurchase agreements *	1,363,543	-	1,363,543	(1,363,543)	-	-
Domestic exchange						
settlement credits	37,659,778	(36,726,449)	933,329	(933,329)	-	-
Other financial instruments	22,824	(19,757)	3,067	-	-	3,067
	46,364,802	(36,746,206)	9,618,596	(7,795,076)	-	1,823,520

(In millions of Korean won)

	December 31, 2019					
		Gross	Net amount in the	Non-offsetting amount		
	Gross	assets	statement of	Financial	Cash	
	liabilities	offset	financial position	instruments	collateral	Net amount
Derivatives held for trading	2,132,286	-	2,132,286			
Derivatives held for				(1,566,026)	-	602,472
hedging	36,212	-	36,212			
Payable spot exchange	3,003,464	-	3,003,464	(3,002,566)	-	898
Bonds sold under						
repurchase agreements *	825,710	-	825,710	(825,710)	-	-
Domestic exchange						
settlement credits	32,806,739	(30,733,476)	2,073,263	(2,073,263)	-	-
Other financial instruments	6,535	(6,347)	188	-	-	188
	38,810,946	(30,739,823)	8,071,123	(7,467,565)	-	603,558

* Includes bonds sold under repurchase agreements to customers.

7. Due from Financial Institutions

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

(In millions of Korean won)		**Financial institutions**	**Interest rate (%)**	**December 31, 2020**	**December 31, 2019**
Due from financial institutions in Korean won	Due from the Bank of Korea	The Bank of Korea	-	11,242,803	8,117,840
	Due from banking institutions	Hana Bank and others	0.00~1.90	259,339	187,638
	Due from others	NH Investment & Securities Co., Ltd. and others	0.00~1.63	14,050	9,608
				11,516,192	8,315,086
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Wells Fargo Bank N.A. and others	0.00~3.50	4,161,788	2,346,580
	Time deposits in foreign currencies	Bank of Shanghai, Beijing Branch and others	0.00~7.05	630,156	920,240
	Due from others	Societe Generale (Paris) and others	0.00~1.93	780,141	209,099
				5,572,085	3,475,919
				17,088,277	11,791,005

* Before netting of allowance

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

(In millions of Korean won)		**Financial institutions**	**December 31, 2020**	**December 31, 2019**	**Reasons of restriction**
Due from financial institutions in Korean won	Due from the Bank of Korea	The Bank of Korea	11,242,803	8,117,840	Bank of Korea Act
	Due from others	NH Investment & Securities Co., Ltd. and others	14,049	9,609	Derivatives margin account
			11,256,853	8,127,449	
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	People's Bank of China and others	1,097,674	490,013	Cambodian law, etc.
	Time deposits in foreign currencies	Bank of Communication Co., Ltd. New York Branch	38,080	23,156	New York State Banking Law
	Due from others	Societe Generale (Paris) and others	380,432	118,814	Derivatives margin account
			1,516,186	631,983	
			12,773,039	8,759,432	

7.3 Changes in allowances for credit losses of due from financial institutions for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
Beginning	2,502	1,186	360
Transfer between stages	-	-	-
Reversal of credit losses	(598)	(1,127)	-
Business combination	138	-	-
Others (exchange differences, etc.)	21	(25)	(78)
Ending	2,063	34	282

(In millions of Korean won)	2019		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
Beginning	1,548	-	-
Transfer between stages	-	-	-
Provision for credit losses	924	1,210	360
Others (exchange differences, etc.)	30	(24)	-
Ending	2,502	1,186	360

8. Assets Pledged as Collateral

8.1 Details of assets pledged as collateral as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)		December 31, 2020	
Assets pledged	Pledgee	Carrying amount	Reasons of pledge
Securities measured at fair value through profit or loss	The Korea Exchange and others	210,171	Repurchase agreements
	Korea Securities Finance Corporation	52,842	Securities borrowing transactions
	Samsung Futures and others	11,225	Derivatives transactions
		274,238	
Securities measured at fair value through other comprehensive income	CITI Bank	149,633	Repurchase agreements
	The Bank of Korea	2,837,453	Borrowings from the Bank of Korea
		1,610,691	Settlement risk of the Bank of Korea
	JP Morgan Chase Bank and others	156,300	Derivatives transactions
	Others	4,036	Others
		4,758,113	
Securities measured at amortized cost	Meritz Securities and others	1,030,078	Repurchase agreements
	The Bank of Korea	4,295,149	Borrowings from the Bank of Korea
		3,677,922	Settlement risk of the Bank of Korea
	KB Securities Co., Ltd. and others	126,199	Derivatives transactions
	KB Insurance Co., Ltd. and others	151,796	Others

		9,281,144	
Mortgage loans	Others	10,699,720	Covered bond
Building / Land	Hanwha Life Insurance Co., Ltd. and others	228,995	Others
		25,242,210	

(In millions of Korean won)

		December 31, 2019	
Assets pledged	**Pledgee**	**Carrying amount**	**Reasons of pledge**
Securities at fair value through profit or loss	The Korea Exchange and others	280,210	Repurchase agreements
	Kyobo Securities and others	11,145	Derivatives transactions
		291,355	
Securities at fair value through other comprehensive income	The Bank of Korea	1,212,021	Borrowings from the Bank of Korea
	The Bank of Korea	653,825	Settlement risk of the Bank of Korea
	DEUTSCHE BANK AG and others	95,640	Derivatives transactions
		1,961,486	
Securities at amortized cost	Meritz Securities and others	581,268	Repurchase agreements
	The Bank of Korea	1,767,559	Borrowings from the Bank of Korea
	The Bank of Korea	3,077,151	Settlement risk of the Bank of Korea
	KB Securities Co., Ltd. and others	267,793	Derivatives transactions
	The Korea Exchange and others	155,595	Others
		5,849,366	
Mortgage loans	Others	6,487,022	Covered bond
Building / Land	Samsung Life Insurance Co., Ltd. and others	207,333	Others
		14,796,562	

* In addition, the Group provided ₩ 44,988 million of borrowed securities as collateral for the bonds sold under repurchase agreements as of December 31, 2019.

8.2 Fair value of collateral available to sell or repledge, and collateral sold or repledged, regardless of debtor's default as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020	
	Fair value of collateral held	**Fair value of collateral sold or repledged**
Securities	2,969,616	-

(In millions of Korean won)

	December 31, 2019	
	Fair value of collateral held	**Fair value of collateral sold or repledged**
Securities	6,503,655	-

9. Derivative Financial Instruments and Hedge Accounting

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

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

(In millions of Korean won)	December 31, 2020		
	Notional amount	**Assets**	**Liabilities**
Interest rate			
Forwards	90,000	3,355	-
Futures [1]	1,407,684	-	-
Swaps [2]	179,047,629	496,723	574,710
Options	13,779,000	246,707	297,442
	194,324,313	746,785	872,152
Currency			
Forwards	73,702,576	1,608,997	1,954,137
Futures [1]	27,381	-	-
Swaps	49,901,150	1,902,582	1,360,689
Options	2,377,775	33,421	28,012
	126,008,882	3,545,000	3,342,838
Stock and index			
Futures [1]	5,583	-	-
Options	664	44	-
	6,247	44	-
Others	74,300	-	107
	320,413,742	4,291,829	4,215,097

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

[1] Gains or losses arising from daily mark-to-market futures are reflected in the margin accounts.
[2] Notional amounts of ₩ 146,576,830 million and ₩ 116,555,938 million as of December 31, 2020 and 2019,

respectively, were traded through the central clearing house.

9.2 Average price condition of future nominal cash flows by type of hedge accounting as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020						
	1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
Fair value hedge							
Nominal amount of the hedging instrument	3,255,568	956,315	479,405	620,788	1,462,964	2,442,691	9,217,731
Average price condition (%), (CD and Libor)	0.76	0.80	1.00	1.07	1.21	1.14	0.97
Cash flow hedge							
Nominal amount of the hedging instrument	1,718,480	489,600	54,400	-	-	-	2,262,480
Average price condition (%), (CD and Libor)	0.72	1.17	0.96	-	-	-	0.82
Hedge of net investments in foreign operations							
Nominal amount of the hedging instrument	165,050	-	-	-	-	-	165,050
Average price condition (KRW/USD)	1,124.25	-	-	-	-	-	1,124.25

(In millions of Korean won)	December 31, 2019						
	1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
Fair value hedge							
Nominal amount of the hedging instrument	757,201	1,548,353	830,440	309,882	466,053	1,414,570	5,326,499
Average price condition (%), (CD and Libor)	2.29	2.70	2.29	3.16	2.50	3.92	2.91
Cash flow hedge							
Nominal amount of the hedging instrument	1,539,874	289,450	521,010	-	-	-	2,350,334
Average price condition (%), (Libor)	2.68	2.65	2.83	-	-	-	2.71
Hedge of net investments in foreign operations							
Nominal amount of the hedging instrument	190,342	-	-	-	-	-	190,342
Average price condition (KRW/USD)	1,175.97	-	-	-	-	-	1,175.97

9.3 Fair Value Hedge

9.3.1 Details of fair value hedged items as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)		December 31, 2020				2020
		Carrying amount		Accumulated amount of hedge adjustments		Changes in fair value
		Assets	Liabilities	Assets	Liabilities	
Interest rate	Debt securities in Korean won	1,001,957	-	5,888	-	402
	Debt securities in foreign currencies	2,712,980	-	62,922	-	42,382
	Deposits in foreign currencies	-	121,768	-	2,088	(4,491)
	Debentures in Korean won	-	3,623,161	-	(6,839)	27,909
	Debentures in foreign currencies	-	1,985,333	-	81,333	(37,438)
		3,714,937	5,730,262	68,810	76,582	28,764

(In millions of Korean won)		December 31, 2019				2019
		Carrying amount		Accumulated amount of hedge adjustments		Changes in fair value
		Assets	Liabilities	Assets	Liabilities	
Interest rate	Debt securities in Korean won	549,526	-	5,485	-	5,502
	Debt securities in foreign currencies	1,670,838	-	19,243	-	25,540
	Deposits in foreign currencies	-	780,491	-	(18,391)	(62,439)
	Debentures in Korean won	-	351,070	-	21,070	(1,818)
	Debentures in foreign currencies	-	2,067,556	-	41,406	(65,480)
		2,220,364	3,199,117	24,728	44,085	(98,695)

9.3.2 Details of derivative instruments designated as fair value hedge as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020			2020
	Notional amount	Assets	Liabilities	Changes in fair value
Interest rate				
Swaps	9,217,731	158,914	51,841	(23,023)

(In millions of Korean won)	December 31, 2019			2019
	Notional amount	Assets	Liabilities	Changes in fair value
Interest rate				
Swaps	5,326,500	129,084	29,675	101,448

9.3.3 Details of hedge ineffectiveness recognized in profit or loss from derivatives for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**Hedge ineffectiveness recognized in profit or loss**	
	2000	**2019**
Interest rate	5,742	2,754

9.3.4 Gains or losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**	**2019**
Gains (losses) on hedging instruments	(8,214)	108,442
Gains (losses) on the hedged item attributable to the hedged risk	13,811	(105,788)
	5,597	2,654

9.4 Cash Flow Hedge

9.4.1 Details of cash flow hedged items as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Cash flow hedge reserve		**Changes in fair value**	
	December 31, 2020	**December 31, 2019**	**2020**	**2019**
Interest rate risk	(10,073)	(3,691)	10,701	18,365

9.4.2 Details of derivative instruments designated as cash flow hedge as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**			**2020**
	Notional amount	**Assets**	**Liabilities**	**Changes in fair value**
Interest rate				
Swaps	2,262,480	125	15,426	(10,492)

(In millions of Korean won)	**December 31, 2019**			**2019**
	Notional amount	**Assets**	**Liabilities**	**Changes in fair value**
Interest rate				
Swaps	2,350,334	835	6,537	(18,276)

9.4.3 Gains or losses from cash flow hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**	**2019**
Losses on hedging instruments	(10,492)	(18,276)
Effective portion of losses on cash flow hedging instruments (recognized in other comprehensive income)	(10,553)	(18,108)
Ineffective portion of losses on cash flow hedging instruments (recognized in profit or loss)	61	(168)

9.4.4 Amounts recognized in other comprehensive income (loss) and reclassified from equity to profit or loss for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**	**2019**
Other comprehensive loss	(10,553)	(18,108)
Reclassification to profit or loss	1,750	(2,899)
Income tax effect	2,421	5,777
	(6,382)	(15,230)

9.4.5 As of December 31, 2020, the hedged items subject to cash flow hedge are exposed to the risk of changes in cash flows until August 11, 2023.

9.5 Hedge of Net investments in Foreign Operations

9.5.1 Details of net investments in foreign operations hedged items as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Foreign currency translation reserve		**Changes in fair value**	
	December 31, 2020	**December 31, 2019**	**2020**	**2019**
Currency (foreign currency exchange risk)	24,103	(37,226)	(84,600)	9,967

9.5.2 Details of financial instruments designated as hedge of net investments in foreign operations as of and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**			**2020**
	Notional amount	**Assets**	**Liabilities**	**Changes in fair value**
Currency forward contract	165,050	5,800	-	10,237
Debentures in foreign currencies	842,112	-	842,112	74,363
	1,007,162	5,800	842,112	84,600

(In millions of Korean won)	**December 31, 2019**			**2019**
	Notional amount	**Assets**	**Liabilities**	**Changes in fair value**
Currency forward contract	190,342	3,407	-	(6,887)
Debentures in foreign currencies	97,255	-	97,255	(3,080)
	287,597	3,407	97,255	(9,967)

9.5.3 Fair value of non-derivative financial instruments designated as hedge of net investments in foreign operations as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Debentures in foreign currencies	852,570	97,737

9.5.4 Gains or losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**	**2019**
Gains (losses) on hedging instruments	84,600	(9,967)
Effective portion of gains (losses) on hedge of net investments in foreign operations (amount recognized in other comprehensive income)	84,600	(9,967)
Ineffective portion of gains (losses) on hedge of net investments in foreign operations (amount recognized in profit or loss)	-	-

9.5.5 Effective portion of gains or losses on hedging instruments recognized in other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**	**2019**
Other comprehensive income (loss)	84,592	(9,962)
Reclassification to profit or loss	-	1,317
Income tax effect	(23,263)	2,378
Other comprehensive income (loss) after tax	61,329	(6,267)

9.6 Interest Rate Benchmark Reform

The Group's exposure to hedging relationships related to the interest rate benchmark reform as of December 31, 2020, is as follows. The USD LIBOR interest rate will be replaced by the Secured Overnight Financing Rate ("SOFR") based on actual transactions starting in 2022 and the KRW CD rate is currently under consideration for improving the calculation methodology. In this hedging relationship, the Group assumed that the spread to be changed on a SOFR basis in 2022 would be similar to that included in the interest rate swap used as a hedging instrument, and no other changes were assumed.

(In millions of Korean won and millions of US dollars)

		December 31, 2020		
Interest rate benchmark	**Currency**	**Carrying amount of non-derivative assets**	**Carrying amount of non-derivative liabilities**	**Notional amount of hedging instruments**
CD#3M	KRW	1,807,701	3,623,161	5,430,000
USD#LIBOR#3M	USD	2,227	3,276	5,355
USD#LIBOR#6M	USD	213	10	206

10. Loans measured at amortized cost

10.1 Details of loans as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020	December 31, 2019
Loans	328,978,696	294,303,453
Deferred loan origination fees and costs	540,610	563,941
Less: Allowances for credit losses	(2,186,811)	(1,335,961)
Carrying amount	327,332,495	293,531,433

10.2 Details of loans to banks as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020	December 31, 2019
Loans *	5,577,728	4,041,247
Less: Allowances for credit losses	(683)	(434)
Carrying amount	5,577,045	4,040,813

* Deferred loan origination fees and costs are included.

10.3 Details of loan types and customer types of loans to customers other than banks as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020 *			
	Retail	Corporate	Credit card	Total
Loans in Korean won	162,521,943	133,263,466	-	295,785,409
Loans in foreign currencies	2,713,408	15,442,088	-	18,155,496
Domestic import usance bills	-	2,152,059	-	2,152,059
Off-shore funding loans	-	1,258,137	-	1,258,137
Call loans	-	1,582,251	-	1,582,251
Bills bought in Korean won	-	1,620	-	1,620
Bills bought in foreign currencies	-	1,739,262	-	1,739,262
Guarantee payments under acceptances and guarantees	-	8,011	-	8,011
Credit card receivables in foreign currencies	-	-	60,959	60,959
Bonds purchased under repurchase agreements	-	2,468,380	-	2,468,380
Privately placed bonds	-	729,994	-	729,994
	165,235,351	158,645,268	60,959	323,941,578
Proportion (%)	51.01	48.97	0.02	100.00
Less: Allowances for credit losses	(618,831)	(1,564,199)	(3,098)	(2,186,128)
	164,616,520	157,081,069	57,861	321,755,450

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

* Deferred loan origination fees and costs are included.

10.4 Changes in deferred loan origination fees and costs for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020					
	Beginning	**Increase**	**Decrease**	**Business combination**	**Others**	**Ending**
Deferred loan origination costs						
Loans in Korean won	573,297	408,691	(391,924)	-	-	590,064
Others	914	417	(761)	-	(1)	569
	574,211	409,108	(392,685)	-	(1)	590,633
Deferred loan origination fees						
Loans in Korean won	6,135	3,812	(2,949)	-	-	6,998
Loans in foreign currencies and others	4,135	18,259	(23,388)	48,117	(4,098)	43,025
	10,270	22,071	(26,337)	48,117	(4,098)	50,023
	563,941	387,037	(366,348)	(48,117)	4,097	540,610

(In millions of Korean won)	2019				
	Beginning	**Increase**	**Decrease**	**Others**	**Ending**
Deferred loan origination costs					
Loans in Korean won	592,175	313,847	(332,725)	-	573,297
Others	486	826	(398)	-	914
	592,661	314,673	(333,123)	-	574,211
Deferred loan origination fees					
Loans in Korean won	6,322	2,316	(2,503)	-	6,135
Loans in foreign currencies and others	4,342	2,499	(2,707)	1	4,135
	10,664	4,815	(5,210)	1	10,270
	581,997	309,858	(327,913)	(1)	563,941

11. Allowances for Credit Losses

11.1 Changes in allowances for credit losses of loans for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean Won)

	2020											
	Retail				Corporate				Credit card			
	12-month expected credit losses	Lifetime expected credit losses		Applying credit impaired approach	12-month expected credit losses	Lifetime expected credit losses		Applying credit impaired approach	12-month expected credit losses	Lifetime expected credit losses		Applying credit impaired approach
		Non-impaired	Impaired			Non-impaired	Impaired			Non-impaired	Impaired	
Beginning	179,286	176,857	118,428	-	194,520	260,784	406,086	-	-	-	-	-
Transfer between stages												
Transfer to 12-month expected credit losses	117,689	(116,781)	(908)	-	114,049	(106,046)	(8,003)	-	14	-	(14)	-
Transfer to lifetime expected credit losses (non-impaired)	(85,474)	168,863	(83,389)	-	(55,506)	145,541	(90,035)	-	-	-	-	-
Transfer to lifetime expected credit losses (impaired)	(1,513)	(123,252)	124,765	-	(3,254)	(48,710)	51,964	-	(6)	-	6	-
Write-offs	-	(5)	(326,840)	-	-	(1)	(320,375)	-	-	-	(1,746)	-
Sales	(1,540)	(19)	(1,106)	-	(9)	-	(21,005)	-	-	-	-	-
Provision (reversal) for credit losses [1, 2, 3]	17,730	64,548	296,963	-	(11,787)	114,375	175,556	-	(23)	-	394	-
Business combination	46,413	7,821	46,413	-	99,824	24,303	668,426	-	89	-	4,409	-
Others (exchange differences, etc.)	(2,046)	(367)	(3,705)	-	(4,702)	(1,724)	(19,389)	-	-	-	(25)	-
Ending	270,545	177,665	170,621	-	333,135	388,522	843,225	-	74	-	3,024	-

(In millions of Korean won)

	2019							
	Retail				Corporate			
	12-month expected credit losses	Lifetime expected credit losses: Non-impaired	Lifetime expected credit losses: Impaired	Credit impaired approach	12-month expected credit losses	Lifetime expected credit losses: Non-impaired	Lifetime expected credit losses: Impaired	Credit impaired approach
Beginning	170,571	157,214	117,742	-	197,866	295,928	615,081	-
Transfer between stages								
Transfer to 12-month expected credit losses	157,691	(157,670)	(21)	-	60,005	(46,508)	(13,497)	-
Transfer to lifetime expected credit losses (non-impaired)	(140,407)	149,809	(9,402)	-	(53,662)	136,473	(82,811)	-
Transfer to lifetime expected credit losses (impaired)	(280)	(45,410)	45,690	-	(2,097)	(36,462)	38,559	-
Write-offs	(2)	24	(322,075)	-	-	2	(217,532)	-
Sales	(467)	(4)	(766)	-	-	-	(8,909)	-
Provision (reversal) for credit losses [1, 2]	(7,875)	72,715	288,956	-	(9,172)	(91,087)	100,381	-
Others (exchange differences, etc.)	55	179	(1,696)	-	1,580	2,438	(25,186)	-
Ending	179,286	176,857	118,428	-	194,520	260,784	406,086	-

[1] Provision (reversal) for credit losses in the consolidated statements of comprehensive income also includes provision (reversal) for credit losses of unused commitments and guarantees (Note 22.2), provision (reversal) for credit losses of financial guarantee contracts (Note 22.4), provision (reversal) for credit losses of other financial assets (Note 18.2), provision (reversal) for credit losses of due from financial institutions (Note 7.3) and provision (reversal) for credit losses of debt securities (Note 12.5).

[2] Includes ₩ 230,447 million and ₩ 241,372 million of collections from written-off loans for the years ended December 31, 2020 and 2019, respectively.

[3] Includes additional provision of ₩ 43,777 million for industries and borrowers which are highly affected by COVID-19, ₩ 19,494 million due to expanding the scope of the loans subject to lifetime expected credit losses (non-impaired) and ₩ 18,625 million due to expanding the scope of the loans subject to individual assessment for the year ended December 31, 2020.

The Group manages the written-off loans that their legal extinctive prescriptions have not been completed; the balances of those loans are ₩ 8,254,890 million and ₩ 9,149,486 million as of December 31, 2020 and 2019, respectively.

11.2 Changes in gross carrying amount of loans for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach
		Non-impaired	Impaired	
Beginning	274,457,085	19,198,678	1,211,631	-
Transfer between stages				
Transfer to 12-month expected credit losses	25,096,700	(24,979,358)	(117,342)	-
Transfer to lifetime expected credit losses (non-impaired)	(31,612,866)	32,727,302	(1,114,436)	-
Transfer to lifetime expected credit losses (impaired)	(399,136)	(2,155,447)	2,554,583	-
Write-offs	-	(6)	(648,961)	-
Sales	(4,323,388)	(17,860)	(198,254)	-
Business combination	6,105,441	546,313	1,696,366	-
Net increase (decrease) (execution, repayment and others)	33,377,864	(1,212,730)	(672,873)	-
Ending	302,701,700	24,106,892	2,710,714	-

(In millions of Korean won)

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

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

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

(In millions of Korean won)	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss		
Debt securities		
Government and public bonds	3,131,473	1,974,113
Financial bonds	6,884,798	6,368,442
Corporate bonds	1,716,852	1,772,550
Asset-backed securities	210,686	100,101
Beneficiary certificates	2,999,772	2,283,046
Investment funds	303,157	209,260
Derivative-linked securities	85,021	160,576
Other debt securities	376,083	578,751
Equity securities		
Stocks	205,794	151,526
Loans		
Privately placed bonds	-	150,276
Other loans	38,756	37,857
Others		
Financial instruments indexed to the price of gold	89,965	79,805
	16,042,357	13,866,303
Financial investments		
Financial assets at fair value through other comprehensive income		
Debt securities		
Government and public bonds	5,952,887	8,172,111
Financial bonds	19,622,246	18,110,228
Corporate bonds	12,832,053	9,218,759
Asset-backed securities	1,553,489	615,890
Equity securities		
Stocks	2,466,553	1,954,173
Equity investments	36,061	39,501
Loans		
Privately placed bonds	234,780	344,292
	42,698,069	38,454,954
Financial assets at amortized cost		
Debt securities		
Government and public bonds	2,182,128	538,968
Financial bonds	5,188,916	7,607,567
Corporate bonds	2,592,834	1,753,941
Asset-backed securities	5,596,461	4,065,105
Others	30,392	-
Allowances for credit losses	(2,318)	(1,242)
	15,588,413	13,964,339
	58,286,482	52,419,293

12.2 Dividend income from equity securities designated at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)		**2020**	
		From the financial assets derecognized	**From the remaining financial assets**
Stocks	Listed	7,000	11,843
	Unlisted	-	10,706
Equity investments		-	285
		7,000	22,834

(In millions of Korean won)		**2019**	
		From the financial assets derecognized	**From the remaining financial assets**
Stocks	Listed	-	26,121
	Unlisted	-	17,025
		-	43,146

12.3 Derecognized equity securities measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)		**2020**	
		Disposal price *	**Accumulated other comprehensive income as of disposal date**
Stocks	Listed	516,883	326,394
	Unlisted	13	13
Equity investments		3	3
		516,899	326,410

(In millions of Korean won)		**2019**	
		Disposal price *	**Accumulated other comprehensive income as of disposal date**
Stocks	Listed	18,342	(25,652)
	Unlisted	1,671	169
		20,013	(25,483)

* The stocks were disposed of according to the stock price increase and joint sale resolution.

12.4 Provision (reversal) for credit losses of financial investments for the years ended December 31, 2020 and 2019, are as follows:

	2020		
(In millions of Korean won)	**Provision**	**Reversal**	**Total**
Debt instruments measured at fair value through other comprehensive income	(3,137)	224	(2,913)
Loans measured at fair value through other comprehensive income	(152)	316	164
Securities measured at amortized cost	(1,713)	636	(1,077)
	(5,002)	1,176	(3,826)

(In millions of Korean won)	2019		
	Provision	**Reversal**	**Total**
Debt instruments measured at fair value through other comprehensive income	(1,330)	365	(965)
Loans measured at fair value through other comprehensive income	(170)	947	777
Securities measured at amortized cost	(216)	271	55
	(1,716)	1,583	(133)

12.5 Changes in allowances for credit losses of financial investments for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020		
	12-month expected credit losses	**Lifetime expected credit losses**	
		Non-impaired	**Impaired**
Beginning	3,821	-	-
Transfer between stages			
Transfer to 12-month expected credit losses	-	-	-
Transfer to lifetime expected credit losses	-	-	-
Sales	(589)	-	-
Provision for credit losses	3,787	39	-
Others (exchange differences, etc.)	(33)	-	-
Ending	6,986	39	-

(In millions of Korean won)	2019		
	12-month expected credit losses	**Lifetime expected credit losses**	
		Non-impaired	**Impaired**
Beginning	3,758	193	-
Transfer between stages			
Transfer to 12-month expected credit losses	189	(189)	-
Transfer to lifetime expected credit losses	(669)	669	-
Sales	(329)	-	-
Provision (reversal) for credit losses	834	(701)	-
Others (exchange differences, etc.)	38	28	-
Ending	3,821	-	-

13. Investments in Associates

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

(In millions of Korean won)	December 31, 2020					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Korea Credit Bureau Co., Ltd. [1]	9.00	4,500	7,153	7,153	Credit information	Korea
Balhae Infrastructure Company [1]	12.61	106,107	106,625	106,625	Investment finance	Korea
KB GwS Private Securities Investment Trust	20.93	89,124	111,772	111,772	Investment finance	Korea
Incheon Bridge Co., Ltd. [1]	14.99	9,159	(18,100)	-	Operation of highways and related facilities	Korea
KB SPROTT Renewable Private Equity Fund No.1	30.00	4,613	4,020	4,020	Investment finance	Korea
KB Digital Innovation & Growth New Technology Business Investment Fund	45.00	3,375	3,051	3,051	Discovery of and investment in promising FinTech-business venture	Korea
Future Planning KB Start-up Creation Fund [2]	50.00	6,700	12,324	12,324	Investment finance	Korea
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	20.00	7,792	7,876	7,876	Investment finance	Korea
KB High-tech Company Investment Fund [2]	50.00	4,800	19,962	19,962	Investment finance	Korea
Aju Good Technology Venture Fund	38.47	17,113	21,353	21,348	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund [2]	33.33	6,800	8,021	8,021	Investment finance	Korea
KB-TS Technology Venture Private Equity Fund [2]	30.00	8,880	9,445	9,445	Investment finance	Korea
KB Intellectual Property Fund No.2 [2]	37.50	15,000	14,367	15,000	Investment finance	Korea
KB Digital Innovation Investment Fund Limited Partnership [2]	25.74	35,000	32,999	34,749	Investment finance	Korea
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund [2]	21.28	13,400	13,756	13,756	Investment finance	Korea
KB Global Platform Fund [2]	22.73	28,500	25,507	28,007	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund [2]	29.53	11,610	11,332	11,332	Investment finance	Korea
WJ Private Equity Fund No.1 [2]	26.95	10,000	9,711	9,711	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2 [2]	28.57	2,500	2,493	2,493	Investment finance	Korea
KB Smart Scale Up Fund [2]	25.00	4,000	3,993	3,993	Investment finance	Korea
All Together Korea Fund No.2 [3]	99.99	10,000	10,023	10,023	Asset management	Korea
Shinla Construction Co., Ltd. [4]	20.17	-	(551)	-	Specialty construction	Korea
Terra Corporation [4]	24.06	-	2	-	Manufacture of fabricated and processed metal products	Korea
MJT&I Corp. [4]	22.89	-	(615)	113	Wholesale of other merchandise	Korea
Jungdong Steel Co., Ltd. [4]	42.65	-	(433)	-	Wholesale of primary metal	Korea
Doosung Metal Co., Ltd. [4]	26.49	-	(62)	-	Manufacture of metal door, windows, shutter and relevant products	Korea

Shinhwa Underwear Co., Ltd. [4]	26.05	-	(18)	222	Manufacture of underwear and sleepwear	Korea
DPAPS Co., Ltd. [4]	38.62	-	(19)	-	Wholesale of paper	Korea
Jaeyang Industry Co., Ltd. [4]	20.86	-	(552)	-	Manufacture of luggage and other protective cases	Korea
Kendae Co., Ltd. [4]	41.01	-	(252)	98	Screen printing	Korea
Jinseung Tech Co., Ltd. [4]	30.04	-	(194)	-	Manufacture of other general-purpose machinery	Korea
Dongjo Co., Ltd. [4]	29.29	-	709	18	Wholesale of agricultural and forestry machinery and equipment	Korea
Korea NM Tech Co., Ltd. [4]	22.41	-	552	-	Manufacture of motor vehicles, trailers and semitrailers	Korea
Jungdo Co., Ltd. [4]	25.34	-	1,342	-	Office, commercial and institutional building construction	Korea
Dae-A Leisure Co., Ltd. [4]	49.36	-	1,184	149	Earth works	Korea
Chongil Machine & Tools Co., Ltd. [4]	20.40	-	(126)	-	Wholesale machinery and equipment	Korea
Imt Technology Co., Ltd. [4]	25.29	-	16	-	Computer Peripherals Distribution	Korea
Iwon Alloy Co., Ltd. [4]	23.20	-	394	-	Manufacture of smelting, refining and alloys	Korea
Carlife Co., Ltd. [4]	24.39	-	(64)	11	Publishing of magazines and periodicals (publishing industry)	Korea
Computerlife Co., Ltd. [4]	25.41	-	(132)	48	Publishing of magazines and periodicals (publishing industry)	Korea
SKYDIGITAL INC. [4]	20.40	-	(248)	-	Manufacture of multimedia and video devices	Korea
Jo Yang Industrial Co., Ltd. [4]	22.77	-	(21)	-	Manufacture of special glass	Korea
IL-KWANG ELECTRONIC MATERIALS CO., LTD. [4]	29.06	-	(398)	-	Manufacture of electronic parts	Korea
SO-MYUNG RECYCLING CO., LTD. [4]	20.23	-	189	5	Manufacture of nonferrous metal	Korea
IDTECK Co., Ltd. [4]	32.80	-	(280)	-	Other manufacturing of wireless telecommunications equipment	Korea
PIP System Co., Ltd. [4]	20.72	-	27	-	Print equipment	Korea
NEOMIO CORP. [4]	21.34	-	(69)	-	Wholesale of household packing	Korea
GWANG MYUNG PAPER Co., Ltd. [4]	20.54	-	84	-	Wholesale of luggage and other protective cases	Korea
D-Partner [4]	20.94	-	447	-	Backlight film	Korea
		398,973	418,595	441,325		

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

					purpose machinery	
Dongjo Co., Ltd. [4]	29.29	-	806	115	Wholesale of agricultural and forestry machinery and equipment	Korea
Korea NM Tech Co., Ltd. [4]	22.41	-	552	-	Manufacture of motor vehicles, trailers and semitrailers	Korea
Jungdo Co., Ltd. [4]	25.34	-	1,492	-	Office, commercial and institutional building construction	Korea
Dae-A Leisure Co., Ltd. [4]	49.36	-	1,613	578	Earth works	Korea
Chong Il Machine & Tools Co., Ltd. [4]	20.40	-	(126)	-	Wholesale machinery and equipment	Korea
Imt Technology Co., Ltd. [4]	25.29	-	22	3	Computer Peripherals Distribution	Korea
Iwon Alloy Co., Ltd. [4]	23.20	-	394	-	Manufacture of smelting, refining and alloys	Korea
Carlife Co., Ltd. [4]	24.39	-	(75)	-	Publishing of magazines and periodicals (publishing industry)	Korea
Computerlife Co., Ltd. [4]	45.71	-	(260)	69	Publishing of magazines and periodicals (publishing industry)	Korea
Skydigital INC. [4]	20.40	-	(248)	-	Manufacture of multimedia and video devices	Korea
Jo Yang Industrial Co., Ltd. [4]	22.77	-	75	-	Manufacture of special glass	Korea
IL-KWANG ELECTRONIC MATERIALS CO., LTD. [4]	29.06	-	(398)	-	Manufacture of electronic parts	Korea
SO-MYUNG RECYCLING CO., LTD. [4]	20.23	-	184	-	Manufacture of nonferrous metal	Korea
IDTECK Co., Ltd. [4]	32.80	-	(103)	-	Other manufacturing of wireless telecommunications equipment	Korea
Seyoon Development Company [4]	26.95	-	2	-	Civil engineering facility construction industry	Korea
PIP System Co., Ltd. [4]	20.72	-	27	-	Print equipment	Korea
PT Bank Bukopin TBK [5]	22.00	116,422	115,321	121,382	Banking and foreign exchange transaction	Indonesia
		488,239	543,987	564,711		

[1] As of December 31, 2020 and 2019, the Group can exercise significant influence on the decision-making processes of the associate's financial and business policies through participation in governing bodies.
[2] As of December 31, 2020 and 2019, the Group is a limited partner and cannot exercise control over the investees.
[3] As of December 31, 2020, the Group participates in the Investment Management Committee but cannot exercise control.
[4] The investment in associates was reclassified from financial assets at fair value through other comprehensive income due to termination of rehabilitation procedures.
[5] The fair value of PT Bank Bukopin TBK's common stock based on its quoted market price is ₩ 47,709 million as of December 31, 2019.

Although the Group holds more than 20% of ownership in many investment trusts including Hanbando BTL Private Special Asset Fund No.1, those investment trusts are not recognized as associates of the Group because the Group's influence on those trust is limited according to the trust agreement. In addition, the Group holds more than 20% of its ownership in Orient shipyard Co., Ltd. and nine other companies, but those companies are not recognized as associates of the Group, because the Group's influence on those companies is limited due to the status of those companies such as bankruptcy and rehabilitation.

13.2 Condensed financial information, adjustments to the carrying amount and dividend from major investments in associates as of December 31, 2020 and 2019, and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	December 31, 2020 [1]						
	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains (losses) and others	Carrying amount
Korea Credit Bureau Co., Ltd.	117,077	37,599	10,000	79,478	7,153	-	7,153
Balhae Infrastructure Company	847,758	1,870	841,784	845,888	106,625	-	106,625
KB GwS Private Securities Investment Trust	534,764	741	425,814	534,023	111,772	-	111,772
Incheon Bridge Co., Ltd.	579,387	700,134	61,096	(120,747)	(18,100)	18,100	-
KB SPROTT Renewable Private Equity Fund No.1	13,896	497	15,376	13,399	4,020	-	4,020
KB Digital Innovation & Growth New Technology Business Investment Fund	6,782	1	7,500	6,781	3,051	-	3,051
Future Planning KB Start-up Creation Fund	27,224	2,576	13,400	24,648	12,324	-	12,324
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	42,585	3,205	38,960	39,380	7,876	-	7,876
KB High-tech Company Investment Fund	40,597	673	9,600	39,924	19,962	-	19,962
Aju Good Technology Venture Fund	57,776	2,265	44,500	55,511	21,353	(5)	21,348
KB-KDBC Pre-IPO New Technology Business Investment Fund	24,655	592	20,400	24,063	8,021	-	8,021
KB-TS Technology Venture Private Equity Fund	34,972	3,490	29,600	31,482	9,445	-	9,445
KB Intellectual Property Fund No.2	38,926	614	40,000	38,312	14,367	633	15,000
KB Digital Innovation Investment Fund Limited Partnership	130,952	2,728	136,000	128,224	32,999	1,750	34,749
KB-Brain KOSDAQ Scale-up New Technology Business	64,968	313	62,980	64,655	13,756	-	13,756

Investment Fund							
KB Global Platform Fund	115,243	3,011	125,400	112,232	25,507	2,500	28,007
KB-UTC Inno-Tech Venture Fund	38,585	206	39,319	38,379	11,332	-	11,332
WJ Private Equity Fund No.1	36,197	170	37,100	36,027	9,711	-	9,711
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	8,724	-	8,750	8,724	2,493	-	2,493
KB Smart Scale Up Fund	16,000	29	16,000	15,971	3,993	-	3,993
All Together Korea Fund No.2	10,025	1	10,001	10,024	10,023	-	10,023

(In millions of Korean won)	2020 [1]				
	Operating revenue	Net profit (loss)	Other comprehensive income	Total comprehensive income (loss)	Dividends
Korea Credit Bureau Co., Ltd.	107,810	13,391	-	13,391	90
Balhae Infrastructure Company	63,781	89,757	-	89,757	6,973
KB GwS Private Securities Investment Trust	48,501	47,520	-	47,520	7,453
Incheon Bridge Co., Ltd.	70,345	(23,200)	-	(23,200)	-
KB SPROTT Renewable Private Equity Fund No.1	1	(991)	-	(991)	-
KB Digital Innovation & Growth New Technology Business Investment Fund	4	(250)	21	(229)	-
Future Planning KB Start-up Creation Fund	4,765	1,006	-	1,006	-
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	1,629	626	-	626	-
KB High-tech Company Investment Fund	8,183	3,216	-	3,216	5,000
Aju Good Technology Venture Fund	8,685	2,815	-	2,815	-
KB-KDBC Pre-IPO New Technology Business Investment Fund	5,151	4,421	-	4,421	-
KB-TS Technology Venture Private Equity Fund	5,342	4,051	-	4,051	-
KB Intellectual Property Fund No.2	970	(392)	-	(392)	-
KB Digital Innovation Investment Fund Limited Partnership	4,376	(4,553)	-	(4,553)	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	5,257	3,013	-	3,013	-
KB Global Platform Fund	57	(9,995)	-	(9,995)	-
KB-UTC Inno-Tech Venture Fund	-	(866)	-	(866)	-
WJ Private Equity Fund No.1	2	(1,073)	-	(1,073)	-
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	1	(26)	-	(26)	-
KB Smart Scale Up Fund	1	(28)	-	(28)	-
All Together Korea Fund No.2	187	150	-	150	-

(In millions of Korean won)

	December 31, 2019 [1]						
	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains (losses) and others	Carrying amount
Korea Credit Bureau Co., Ltd.	96,855	30,289	10,000	66,566	5,991	-	5,991
Balhae Infrastructure Company	806,218	1,854	834,695	804,364	101,390	-	101,390
KB GwS Private Securities Investment Trust	522,865	741	425,814	522,124	108,026	-	108,026
Incheon Bridge Co., Ltd.	609,194	707,563	61,096	(98,369)	(14,746)	14,746	-
KB SPROTT Renewable Private Equity Fund No.1	3,686	249	9,640	3,437	1,031	-	1,031
KB Digital Innovation & Growth New Technology Business Investment Fund	4,510	-	5,000	4,510	2,030	-	2,030
KB12-1 Venture Investment Partnership	67,896	977	17,500	66,919	53,535	-	53,535
Future Planning KB Start-up Creation Fund	32,704	2,662	19,800	30,042	15,021	-	15,021
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	55,524	1,063	51,880	54,461	10,892	-	10,892
KB High-Tech Company Investment Fund	64,125	317	26,700	63,808	31,904	-	31,904
Aju Good Technology Venture Fund	60,675	828	52,000	59,847	23,016	-	23,016
KB-KDBC Pre-IPO New Technology Business Investment Fund	29,086	603	30,000	28,483	9,494	-	9,494
KB-TS Technology Venture Private Equity Fund	36,445	1,212	35,400	35,233	10,570	-	10,570
KB Intellectual Property Fund No.2	22,708	4	24,000	22,704	8,514	-	8,514
KB Digital Innovation Investment Fund Limited Partnership	122,153	255	125,120	121,898	31,371	-	31,371
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	48,369	185	51,700	48,184	10,252	-	10,252
KB Global Platform Fund	85,314	2,686	85,800	82,628	18,779	-	18,779
KB-UTC Inno-Tech Venture Fund	1,016	75	1,016	941	278	-	278
PT Bank Bukopin TBK [2]	8,148,013	7,623,829	106,536	524,184	115,321	6,061	121,382

(In millions of Korean won)	2019 [1]				
	Operating revenue	**Net profit (loss)**	**Other comprehensive income**	**Total comprehensive income (loss)**	**Dividends**
Korea Credit Bureau Co., Ltd.	91,200	1,480	-	1,480	135
Balhae Infrastructure Fund	62,113	(3,153)	-	(3,153)	6,855
KB GwS Private Securities Investment Trust	42,503	41,524	-	41,524	7,276
Incheon Bridge Co., Ltd.	107,178	9,127	-	9,127	-
KB SPROTT Renewable Private Equity Fund No.1	1	(986)	-	(986)	-
KB Digital Innovation & Growth New Technology Business Investment Fund	8	(388)	-	(388)	-
KB12-1 Venture Investment Partnership	15,082	8,778	-	8,778	-
Future Planning KB Start-up Creation Fund	5,831	2,704	-	2,704	-
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	4,077	(3,911)	-	(3,911)	-
KB High-tech Company Investment Fund	35,565	32,581	-	32,581	-
Aju Good Technology Venture Fund	9,288	7,734	-	7,734	-
KB-KDBC New Technology Business Investment Fund	371	(638)	-	(638)	-
KB-TS Technology Venture Private Equity Fund	1,643	632	-	632	-
KB Intellectual Property Fund No.2	70	(1,141)	-	(1,141)	-
KB Digital Innovation Investment Fund Limited Partnership	2,564	(2,900)	-	(2,900)	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	138	(3,355)	-	(3,355)	-
KB Global Platform Fund	250	(3,172)	-	(3,172)	-
KB-UTC Inno-Tech Venture Fund	-	(75)	-	(75)	-
PT Bank Bukopin TBK	721,169	(5,612)	45,780	40,168	-

[1] The condensed financial information of the associates is adjusted to reflect adjustments made by the Group, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.
[2] The goodwill of PT Bank Bukopin TBK as of December 31, 2019, are ₩ 4,437 million.

13.3 Changes in carrying amount of investments in associates for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020						
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehen-sive income	Ending
Korea Credit Bureau Co., Ltd.	5,991	-	-	(90)	1,252	-	7,153
Balhae Infrastructure Company	101,390	894	-	(6,973)	11,314	-	106,625
KB GwS Private Securities Investment Trust	108,026	-	-	(7,453)	11,199	-	111,772
Incheon Bridge Co., Ltd.	-	-	-	-	-	-	-
KB SPROTT Renewable Private Equity Fund No.1	1,031	3,286	-	-	(297)	-	4,020
KB Digital Innovation & Growth New Technology Business Investment Fund	2,030	1,125	-	-	(113)	9	3,051
KB12-1 Venture Investment Partnership	53,535	-	(16,024)	(38,578)	1,067	-	-
Future Planning KB Start-up Creation Fund	15,021	-	(3,200)	-	503	-	12,324
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	10,892	-	(2,584)	-	(432)	-	7,876
KB High-tech Company Investment Fund	31,904	-	(8,550)	(5,000)	1,608	-	19,962
Aju Good Technology Venture Fund	23,016	-	(2,885)	-	1,217	-	21,348
KB-KDBC Pre-IPO New Technology Business Investment Fund	9,494	-	(3,200)	-	1,727	-	8,021
KB-TS Technology Venture Private Equity Fund	10,570	1,200	(2,940)	-	615	-	9,445
KB Intellectual Property Fund No.2	8,514	6,000	-	-	486	-	15,000
KB Digital Innovation Investment Fund Limited Partnership	31,371	2,800	-	-	578	-	34,749
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	10,252	4,000	(1,600)	-	1,104	-	13,756
KB Global Platform Fund	18,779	9,000	-	-	228	-	28,007
KB-UTC Inno-Tech Venture Fund	278	11,310	-	-	(256)	-	11,332
WJ Private Equity Fund No.1	-	10,000	-	-	(289)	-	9,711
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	-	2,500	-	-	(7)	-	2,493
KB Smart Scale Up Fund	-	4,000	-	-	(7)	-	3,993
All Together Korea Fund No.2	-	100,000	(90,000)	-	150	(127)	10,023
Shinla Construction Co., Ltd.	-	-	-	-	-	-	-
Terra Corporation	-	-	-	-	-	-	-
MJT&I Corp.	116	-	-	-	(3)	-	113
Jungdong Steel Co., Ltd.	-	-	-	-	-	-	-

Doosung Metal Co., Ltd.	-	-	-	-	-	-	-
Shinhwa Underwear Co., Ltd.	256	-	-	-	(34)	-	222
DPAPS Co., Ltd.	-	-	-	-	-	-	-
Jaeyang Industry Co., Ltd.	-	-	-	-	-	-	-
Kendae Co., Ltd.	98	-	-	-	-	-	98
Jinseung Tech Co., Ltd.	-	-	-	-	-	-	-
Dongjo Co., Ltd.	115	-	-	-	(97)	-	18
Korea NM Tech Co., Ltd.	-	-	-	-	-	-	-
Jungdo Co., Ltd.	-	-	-	-	-	-	-
Dae-A Leisure Co., Ltd.	578	-	-	-	(731)	302	149
Chongil Machine & Tools Co., Ltd.	-	-	-	-	-	-	-
Imt Technology Co., Ltd.	3	-	-	-	(3)	-	-
Iwon Alloy Co., Ltd.	-	-	-	-	-	-	-
Carlife Co., Ltd.	-	-	-	-	11	-	11
Computerlife Co., Ltd.	69	-	(29)	-	8	-	48
SKYDIGITAL INC.	-	-	-	-	-	-	-
Jo Yang Industrial Co., Ltd.	-	-	-	-	-	-	-
IL-KWANG ELECTRONIC MATERIALS CO., LTD.	-	-	-	-	-	-	-
SO-MYUNG RECYCLING CO., LTD.	-	-	-	-	(50)	55	5
IDTECK Co., Ltd.	-	-	-	-	-	-	-
Seyoon Development Company	-	-	-	-	-	-	-
PIP System Co., Ltd.	-	-	-	-	-	-	-
NEOMIO CORP.	-	-	-	-	-	-	-
GWANG MYUNG PAPER Co., Ltd.	-	-	-	-	-	-	-
D-Partner	-	-	-	-	-	-	-
PT Bank Bukopin TBK *	121,382	43,909	(54,069)	-	(107,258)	(3,964)	-
	564,711	200,024	(185,081)	(58,094)	(76,510)	(3,725)	441,325

* The investment was reclassified to subsidiaries from associates for the year ended December 31, 2020 due to additional share purchase.

(In millions of Korean won)

	2019							
	Beginning	**Acquisition and others**	**Disposal and others**	**Dividends**	**Gains (losses) on equity-method accounting**	**Other compre-hensive income**	**Impairment loss**	**Ending**
Korea Credit Bureau Co., Ltd.	5,941	-	-	(135)	185	-	-	5,991
Balhae Infrastructure Company	108,050	593	-	(6,855)	(398)	-	-	101,390
KB GwS Private Securities Investment Trust	106,613	-	-	(7,276)	8,689	-	-	108,026
KB SPROTT Renewable Private Equity Fund No.1	-	1,327	-	-	(296)	-	-	1,031
KB Digital Innovation & Growth New Technology Business Investment Fund	1,079	1,125	-	-	(174)	-	-	2,030

KB12-1 Venture Investment Partnership	49,912	-	(3,400)	-	7,023	-	-	53,535
Future Planning KB Start-up Creation Fund	18,069	-	(4,400)	-	1,352	-	-	15,021
KoFC KBIC Frontier Champ 2010-5 (PEF)	140	-	(140)	-	-	-	-	-
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	11,681	-	-	-	(789)	-	-	10,892
KB High-Tech Company Investment Fund	22,563	-	(6,950)	-	16,291	-	-	31,904
Aju Good Technology Venture Fund	18,134	1,960	-	-	2,922	-	-	23,016
KB-KDBC New Technology Business Investment Fund	7,297	2,500	-	-	(303)	-	-	9,494
KB-TS Technology Venture Private Equity Fund	7,381	4,200	(1,200)	-	189	-	-	10,570
KB Intellectual Property Fund No.2	2,942	6,000	-	-	(428)	-	-	8,514
KB Digital Innovation Investment Fund Limited Partnership	7,617	24,500	-	-	(746)	-	-	31,371
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	3,966	7,000	-	-	(714)	-	-	10,252
KB Global Platform Fund	-	19,500	-	-	(721)	-	-	18,779
KB-UTC Inno-Tech Venture Fund	-	300	-	-	(22)	-	-	278
KB Star Office Private Real Estate Investment Trust No.1	20,252	-	(20,252)	-	-	-	-	-
MJT&I Corp.	122	-	-	-	(6)	-	-	116
Shinhwa Underwear Co., Ltd.	182	-	-	-	74	-	-	256
Kendae Co., Ltd.	98	-	-	-	-	-	-	98
Dongjo Co., Ltd.	115	-	-	-	-	-	-	115
Dae-A Leisure Co., Ltd.	578	-	-	-	-	-	-	578
Imt Technology Co., Ltd.	-	-	-	-	3	-	-	3
Computerlife Co., Ltd	-	-	-	-	69	-	-	69
IL-KWANG ELECTRONIC MATERIALS CO., LTD.	-	-	-	-	-	-	-	-
SO-MYUNG RECYCLING CO., LTD.	-	-	-	-	-	-	-	-
IDTECK Co., Ltd.	-	-	-	-	-	-	-	-

Seyoon Development Company	-	-	-	-	-	-	-	-
PIP System Co., Ltd.	-	-	-	-	-	-	-	-
PT Bank Bukopin TBK	113,932	-	-	-	(1,235)	10,408	(1,723)	121,382
	506,664	69,005	(36,342)	(14,266)	30,965	10,408	(1,723)	564,711

13.4 Unrecognized share of losses in investments in associates due to discontinuation of applying the equity method for the years ended December 31, 2020 and 2019 and accumulated amount as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**Unrecognized losses (gains)**		**Accumulated unrecognized losses**	
	2020	**2019**	**December 31, 2020**	**December 31, 2019**
Incheon Bridge Co., Ltd.	3,354	(1,944)	18,100	14,746
Shinla Construction Co., Ltd.	-	-	183	183
Terra Corporation	-	-	14	14
Jungdong Steel Co., Ltd.	-	-	487	487
Doosung Metal Co., Ltd.	-	46	65	65
DPAPS Co., Ltd.	19	14	358	339
Jinseung Tech Co., Ltd.	-	18	21	21
Korea NM Tech Co., Ltd.	-	-	28	28
Jungdo Co., Ltd.	150	-	310	160
Jaeyang Industry Co., Ltd.	-	-	30	30
Chongil Machine & Tools Co., Ltd.	-	19	19	19
Imt Technology Co., Ltd.	3	-	3	-
SKYDIGITAL INC.	-	106	106	106
Jo Yang Industrial Co., Ltd.	96	-	96	-
IDTECK Co., Ltd.	216	-	216	-
	3,838	(1,741)	20,036	16,198

14. Property and Equipment, and Investment Property

14.1 Property and Equipment

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

(In millions of Korean won)	December 31, 2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	2,082,890	-	(1,018)	2,081,872
Buildings	1,784,421	(529,020)	(5,859)	1,249,542
Leasehold improvements	830,140	(760,926)	-	69,214
Equipment and vehicles	1,363,077	(1,172,235)	-	190,842
Construction in-progress	34,275	-	-	34,275
Right-of-use assets	824,242	(408,093)	-	416,149
	6,919,045	(2,870,274)	(6,877)	4,041,894

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

14.1.2 Changes in property and equipment for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020							
	Beginning	Acquisition	Transfer [2]	Disposal	Depreciation	Business combination	Others	Ending
Land	1,984,352	6,361	(77,272)	-	-	171,526	(3,095)	2,081,872
Buildings	996,330	41,662	199,578	(227)	(38,224)	51,325	(902)	1,249,542
Leasehold improvements	91,199	1,170	35,140	(383)	(60,362)	2,780	(330)	69,214
Equipment and vehicles	261,726	71,083	3,147	(1,833)	(156,181)	13,600	(700)	190,842
Construction in-progress	85,953	220,202	(291,247)	-	-	19,999	(632)	34,275
Right-of-use Assets [1]	364,814	389,952	-	(190,817)	(215,206)	45,438	21,968	416,149
	3,784,374	730,430	(130,654)	(193,260)	(469,973)	304,668	16,309	4,041,894

(In millions of Korean won)

	2019						
	Beginning	**Acquisition**	**Transfer [2]**	**Disposal**	**Depreciation**	**Others**	**Ending**
Land	1,978,793	185	5,483	(124)	-	15	1,984,352
Buildings	808,057	67	224,748	(3,095)	(33,481)	34	996,330
Leasehold improvements	89,709	2,707	62,263	-	(63,576)	96	91,199
Equipment and vehicles	153,859	229,793	-	(234)	(121,820)	128	261,726
Construction in-progress	81,268	292,852	(288,119)	-	-	(48)	85,953
Right-of-use Assets [1]	376,606	328,623	-	(138,642)	(218,565)	16,792	364,814
	3,488,292	854,227	4,375	(142,095)	(437,442)	17,017	3,784,374

[1] Effect of change in the lease term is reflected in acquisition and disposal based on gross amount.
[2] Includes transfers with investment properties and assets held for sale.

14.1.3 Changes in accumulated impairment losses of property and equipment for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020				
	Beginning	**Impairment**	**Reversal**	**Others**	**Ending**
Accumulated impairment losses of property and equipment	(6,877)	(12)	-	12	(6,877)

(In millions of Korean won)	2019				
	Beginning	**Impairment**	**Reversal**	**Others**	**Ending**
Accumulated impairment losses of property and equipment	(6,877)	-	-	-	(6,877)

14.2 Investment Properties

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

(In millions of Korean won)	December 31, 2020		
	Acquisition cost	**Accumulated depreciation**	**Carrying amount**
Land	218,157	-	218,157
Buildings	107,982	(8,038)	99,944
	326,139	(8,038)	318,101

(In millions of Korean won)	December 31, 2019		
	Acquisition cost	**Accumulated depreciation**	**Carrying amount**
Land	328,587	-	328,587
Buildings	164,774	(17,393)	147,381
	493,361	(17,393)	475,968

14.2.2 Valuation techniques and inputs that are used to measure the fair value of investment properties as of December 31, 2020, are as follows:

(In millions of Korean won)	December 31, 2020		
	Fair value	**Valuation techniques**	**Inputs**
Land and buildings	114,800	Cost approach method	- Price per square meter - Replacement cost
	230,800	Income approach	- Discount rate - Capitalization rate - Vacancy rate

Fair value of the investment properties amounts to ₩ 345,600 million and ₩ 513,307 million as of December 31, 2020 and 2019, respectively. The investment properties were measured by qualified independent appraisers with experience in valuing similar properties in the same area. In addition, per fair value hierarchy in Note 6.1.2, fair value hierarchy of all investment properties has been classified as Level 3.

Rental income from the above investment properties for the years ended December 31, 2020 and 2019, amounts to ₩ 24,640 million and ₩ 15,663 million, respectively.

14.2.3 Changes in investment properties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Beginning	**Acquisition**	**Transfer**	**Disposal**	**Depreciation**	**Ending**
Land	328,587	125	22,390	(132,945)	-	218,157
Buildings	147,381	-	29,034	(72,794)	(3,677)	99,944
	475,968	125	51,424	(205,739)	(3,677)	318,101

(In millions of Korean won)

	2019					
	Beginning	**Acquisition**	**Transfer**	**Disposal**	**Depreciation**	**Ending**
Land	166,737	167,333	(5,483)	-	-	328,587
Buildings	91,187	63,251	(4,195)	-	(2,862)	147,381
	257,924	230,584	(9,678)	-	(2,862)	475,968

15. Intangible Assets

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

(In millions of Korean won)	December 31, 2020				
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Others	Carrying amount
Goodwill	552,652	-	(1,202)	(49,590)	501,860
Other intangible assets	1,392,929	(921,920)	(10,215)	-	460,794
	1,945,581	(921,920)	(11,417)	(49,590)	962,654

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

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

(In millions of Korean won)	December 31, 2020		December 31, 2019	
	Acquisition cost	Carrying amount *	Acquisition cost	Carrying amount
PT Bank Bukopin TBK	89,220	80,002	-	-
PRASAC Microfinance Institution Plc.	396,942	356,570	-	-
Housing & Commercial Bank	65,288	65,288	65,288	65,288
KB Cambodia Bank	1,202	-	1,202	-
	552,652	501,860	66,490	65,288

* The amount includes the effects of exchange differences.

15.3 The goodwill as of December 31, 2020, arose from the acquisitions of PRASAC Microfinance Institution Plc., PT Bank Bukopin TBK and merger of Housing & Commercial Bank. And the goodwill as of December 31, 2019, arose from the merger of Housing & Commercial Bank.

15.4 Changes in accumulated impairment losses of goodwill for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses of goodwill	(1,202)	-	-	(1,202)

(In millions of Korean won)	2019			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses of goodwill	(1,202)	-	-	(1,202)

15.5 Details of goodwill allocation to cash-generating units and related information for impairment testing as of December 31, 2020 are as follows:

(In millions of Korean won)	December 31, 2020			
	Retail banking	**Corporate banking**	**PRASAC Microfinance Institution Plc.**	**Total**
Carrying amounts *	49,315	15,973	384,591	449,879
Recoverable amount exceeding carrying amount	1,595,304	955,540	111,425	2,662,269
Discount rate (%)	17.46	17.63	24.50	
Permanent growth rate (%)	1.00	1.00	3.00	

* The carrying amount of goodwill at the time of the impairment test

For impairment testing, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination, and cash-generating units consist of an operating segment or units which are not larger than an operating segment. The Group recognized goodwill amounting to ₩ 65,288 million from the merger of Housing & Commercial Bank, the amounts of ₩ 49,315 million and ₩ 15,973 million were allocated to the retail banking and corporate banking, respectively. And the goodwill of ₩ 384,591 million arising from the acquisition of PRASAC Microfinance Institution Plc. was allocated to microfinance unit. The Group acquired a 67% stake in PT Bank Bukopin TBK with the acquisition date of September 2, 2020, and the goodwill recognized due to the business combination is ₩ 80,002 million as of December 31, 2020. Cash-generating units to which goodwill has been allocated, is tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

The recoverable amount of a cash-generating unit is measured at the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. If it is difficult to measure the amount obtainable from the sale of the cash-generating unit, the Group measures the fair value less costs to sell by reflecting the characteristics of the measured cash-generating unit. If it is not possible to obtain reliable information to measure the fair value less costs to sell, the Group uses the asset's value in use as its recoverable amount. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The projections of the future cash flows are based on the most recent financial budget approved by management and generally cover a period of five years. The future cash flows of retail banking and corporate banking after projection period are estimated on the assumption that the future cash flows will increase by 1.0% per year. The key assumptions used for the estimation of the future cash flows are estimated based on the market size and the Group's market share.

The future cash flows PRASAC Microfinance Institution Plc. after five years are estimated on the assumption that the future cash flows will increase by 3.0% per year. The key assumptions used for the estimation of the future cash flows are the GDP growth rate of Cambodia, the market size and the recent growth rate of PRASAC Microfinance Institution Plc. The discount rate is a pre-tax rate that reflects assumptions regarding risk-free interest rate, market risk premium and the risks specific to the cash-generating unit.

15.6 Details of intangible assets other than goodwill as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**			
	Acquisition cost	**Accumulated amortization**	**Accumulated impairment losses**	**Carrying Amount**
Industrial property rights	2,048	(1,814)	-	234
Software	1,117,984	(804,558)	-	313,426
Other intangible assets	237,770	(85,038)	(10,215)	142,517
Right-of-use assets	35,127	(30,510)	-	4,617
	1,392,929	(921,920)	(10,215)	460,794

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

15.7 Changes in intangible assets other than goodwill for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**							
	Beginning	**Acquisition**	**Transfer**	**Disposal**	**Amortization**	**Business combination**	**Others**	**Ending**
Industrial property rights	293	50	-	-	(109)	-	-	234
Software	133,977	247,665	185	(3,135)	(70,733)	5,422	45	313,426
Other intangible assets	59,534	18,892	-	(1,125)	(20,207)	95,484	(10,061)	142,517
Right-of-use assets	9,639	-	-	-	(5,022)	-	-	4,617
	203,443	266,607	185	(4,260)	(96,071)	100,906	(10,016)	460,794

(In millions of Korean won)	**2019**					
	Beginning	**Acquisition**	**Disposal**	**Amortization**	**Others**	**Ending**
Industrial property rights	250	149	-	(106)	-	293
Software	95,769	88,896	-	(50,949)	261	133,977
Other intangible assets	47,740	30,283	(7,126)	(11,469)	106	59,534
Right-of-use assets	15,161	996	-	(6,518)	-	9,639
	158,920	120,324	(7,126)	(69,042)	367	203,443

15.8 Changes in accumulated impairment losses of other intangible assets for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020				
	Beginning	**Impairment**	**Reversal**	**Others**	**Ending**
Accumulated impairment losses of other intangible assets	(2,166)	(8,145)	55	41	(10,215)

(In millions of Korean won)	2019				
	Beginning	**Impairment**	**Reversal**	**Others**	**Ending**
Accumulated impairment losses of other intangible assets	(5,106)	(50)	112	2,878	(2,166)

16. Deferred Income Tax Assets and Liabilities

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

(In millions of Korean won)	December 31, 2020		
	Assets	**Liabilities**	**Net amount**
Other provisions	78,327	-	78,327
Impairment losses of property and equipment	2,241	-	2,241
Share-based payments	11,650	-	11,650
Provisions for acceptances and guarantees	17,047	-	17,047
Gains or losses on valuation of derivatives	-	(92,328)	(92,328)
Present value discount	-	(14)	(14)
Gains or losses on fair value hedge	21,060	-	21,060
Accrued interest	-	(35,020)	(35,020)
Deferred loan origination fees and costs	6,674	(140,265)	(133,591)
Gains or losses on revaluation	-	(277,471)	(277,471)
Investments in subsidiaries and others	32,979	(102,655)	(69,676)
Gains or losses on valuation of security investment	-	(265,941)	(265,941)
Defined benefit liabilities	445,114	-	445,114
Accrued expenses	210,481	-	210,481
Retirement insurance expense	-	(402,227)	(402,227)
Adjustments to the prepaid contributions	-	(28,261)	(28,261)
Others	344,298	(114,200)	230,098
	1,169,871	(1,458,382)	(288,511)
Offsetting of deferred income tax assets and liabilities	(1,111,532)	1,111,532	-
	58,339	(346,850)	(288,511)

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

16.2 Unrecognized Deferred Income Tax Assets

16.2.1 No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 188,609 million and ₩ 7,716 million associated with investments in subsidiaries and others as of December 31, 2020 and 2019, because it is not probable that the temporary differences will be reversed in the foreseeable future.

16.2.2 No deferred income tax assets have been recognized for deductible temporary differences of ₩ 23,826 million and ₩19,388 million associated with others as of December 31, 2020 and 2019 due to the uncertainty that these will be realized in the future.

16.3 Unrecognized Deferred Income Tax Liabilities

16.3.1 No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩ 221,773 million and ₩ 33,487 million associated with investments in subsidiaries and others as of December 31, 2020 and 2019, due to the following reasons:

- The Group is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not be reversed in the foreseeable future.

16.3.2 No deferred income tax liabilities have been recognized as of December 31, 2020 and 2019 for the taxable temporary difference of ₩ 65,288 million arising from the initial recognition of goodwill from the merger of Housing and Commercial Bank in 2001.

16.4 Changes in cumulative temporary differences for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020				
	Beginning	**Business combination**	**Decrease**	**Increase**	**Ending**
Deductible temporary differences					
Gains or losses on fair value hedge	44,085	-	44,085	76,583	76,583
Other provisions	219,069	3,995	221,208	282,969	284,825
Impairment losses of property and equipment	9,659	-	9,659	8,148	8,148
Deferred loan origination fees and costs	-	35,863	13,169	1,576	24,270
Share-based payments	44,049	-	44,049	42,361	42,361
Provisions for acceptances and guarantees	76,214	-	76,214	61,984	61,984
Investment in subsidiaries and others	122,292	-	24,965	211,207	308,534
Defined benefit liabilities	1,537,455	15,620	120,513	186,035	1,618,597
Accrued expenses	629,175	-	629,175	765,387	765,387
Others	929,781	105,927	440,676	606,109	1,201,141
	3,611,779	161,405	1,623,713	2,242,359	4,391,830
Unrecognized deferred income tax assets					
Investment in subsidiaries and others	7,716				188,609
Others	19,388				23,826
	3,584,675				4,179,395
Tax rate (%)	27.50				27.50
	985,786				1,149,334
Tax loss carryforwards and tax credit	-	18,804	-	1,733	20,537
Total deferred income tax assets	985,786				1,169,871
Taxable temporary differences					
Accrued interest	(178,107)	-	(171,025)	(120,263)	(127,345)
Deferred loan origination fees and costs	(495,193)	-	(495,193)	(510,055)	(510,055)
Gains or losses on valuation of derivatives	(217,552)	-	(217,552)	(335,740)	(335,740)
Present value discount	(429)	-	(429)	(49)	(49)
Goodwill from merger	(65,288)	-	-	-	(65,288)
Gains or losses on revaluation	(1,040,976)	-	(31,992)	-	(1,008,984)
Investment in subsidiaries and others	(355,275)	-	(39,160)	(278,950)	(595,065)
Gains or losses on valuation of security investment	(365,092)	-	(365,092)	(967,057)	(967,057)
Retirement insurance expense	(1,364,727)	-	(120,512)	(218,428)	(1,462,643)
Adjustments to the prepaid contributions	(83,262)	-	(83,262)	(102,768)	(102,768)
Others	(413,510)	(1,613)	(344,050)	(344,205)	(415,278)
	(4,579,411)	(1,613)	(1,868,267)	(2,877,515)	(5,590,272)
Unrecognized deferred income tax liabilities					
Goodwill from merger	(65,288)				(65,288)
Investments in subsidiaries and others	(33,487)				(221,773)
	(4,480,636)				(5,303,211)
Tax rate (%)	27.50				27.50
Total deferred income tax liabilities	(1,232,175)				(1,458,382)

(In millions of Korean won)	2019			
	Beginning	Decrease	Increase	Ending
Deductible temporary differences				
Gains or losses on fair value hedge	-	-	44,085	44,085
Other provisions	226,103	226,103	219,069	219,069
Impairment losses of property and equipment	15,027	15,027	9,659	9,659
Share-based payments	43,156	43,156	44,049	44,049
Provisions for acceptances and guarantees	73,809	73,809	76,214	76,214
Investment in subsidiaries and others	115,883	21,567	27,976	122,292
Defined benefit liabilities	1,409,700	112,517	240,272	1,537,455
Accrued expenses	735,712	735,712	629,175	629,175
Others	682,521	133,335	380,595	929,781
	3,301,911	1,361,226	1,671,094	3,611,779
Unrecognized deferred income tax assets				
Accrued expenses	363			-
Investment in subsidiaries and others	8,938			7,716
Others	15,030			19,388
	3,277,580			3,584,675
Tax rate (%)	27.50			27.50
Total deferred income tax assets	901,335			985,786
Taxable temporary differences				
Gains or losses on fair value hedge	(94,085)	(94,085)	-	-
Accrued interest	(151,588)	(102,728)	(129,247)	(178,107)
Deferred loan origination fees and costs	(507,988)	(507,988)	(495,193)	(495,193)
Gains or losses on valuation of derivatives	(47,956)	(47,956)	(217,552)	(217,552)
Present value discount	(124)	(124)	(429)	(429)
Goodwill from merger	(65,288)	-	-	(65,288)
Gains or losses on revaluation	(1,042,687)	(1,711)	-	(1,040,976)
Investment in subsidiaries and others	(287,344)	(1,572)	(69,503)	(355,275)
Gains or losses on valuation of security investment	(194,124)	(194,124)	(365,092)	(365,092)
Retirement insurance expense	(1,247,911)	(112,517)	(229,333)	(1,364,727)
Adjustments to the prepaid contributions	(69,212)	(69,212)	(83,262)	(83,262)
Others	(105,098)	(38,594)	(347,006)	(413,510)
	(3,813,405)	(1,170,611)	(1,936,617)	(4,579,411)
Unrecognized deferred income tax liabilities				
Goodwill from merger	(65,288)			(65,288)
Investments in subsidiaries and others	(42,404)			(33,487)
	(3,705,713)			(4,480,636)
Tax rate (%)	27.50			27.50
Total deferred income tax liabilities	(1,019,071)			(1,232,175)

17. Assets Held for Sale

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

(In millions of Korean won)

	December 31, 2020			
	Acquisition cost *	Accumulated impairment losses	Carrying amount	Fair value less costs to sell
Land held for sale	80,740	(16,169)	64,571	68,321
Buildings held for sale	152,426	(24,887)	127,539	134,247
Other assets held for sale	10,676	(5,059)	5,617	5,801
	243,842	(46,115)	197,727	208,369

(In millions of Korean won)

	December 31, 2019			
	Acquisition cost *	Accumulated impairment losses	Carrying amount	Fair value less costs to sell
Land held for sale	7,210	(1,530)	5,680	6,467
Buildings held for sale	2,513	(1,252)	1,261	1,261
	9,723	(2,782)	6,941	7,728

* Acquisition cost of buildings held for sale is net of accumulated depreciation before classified as assets held for sale.

17.2 Valuation techniques and inputs that are used to measure the fair value of assets held for sale as of December 31, 2020, are as follows:

(In millions of Korean won)

	December 31, 2020				
	Fair value	Valuation techniques [1]	Unobservable inputs [2]	Estimated range of unobservable inputs (%)	Effect of unobservable inputs to fair value
Land and buildings	208,369	Market comparison approach model and others	Adjustment index	0.68 ~ 1.95	Fair value increases as the adjustment index rises

[1] The appraisal value is adjusted by the adjustment ratio in the event the public sale is unsuccessful.
[2] Adjustment index is calculated by using the time factor correction or individual factors.

Among assets held for sale, real estate was measured by independent appraisers with recent experience in evaluating similar properties in the area of the property to be assessed with professional qualifications. All of assets held for sale are classified as level 3 in accordance with fair value hierarchy in Note 6.1.2.

17.3 Changes in accumulated impairment losses of assets held for sale for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Beginning	Provision	Reversal	Business combination	Others	Ending
Accumulated impairment losses of assets held for sale	(2,782)	(11,593)	-	(45,433)	13,693	(46,115)

(In millions of Korean won)	2019				
	Beginning	Provision	Reversal	Others	Ending
Accumulated impairment losses of assets held for sale	(8,150)	(333)	-	5,701	(2,782)

17.4 As of December 31, 2020, assets held for sale consist of 4 real estates of closed offices and 1,087 foreclosure assets on loans of PT Bank Bukopin TBK, which were determined to sell by the management, but not yet sold as of December 31, 2020. Negotiation with buyers is in process for the one closed offices and the remaining 1,090 assets are also being actively marketed.

18. Other Assets

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

(In millions of Korean won)	December 31, 2020	December 31, 2019
Other financial assets		
Other receivables	3,497,333	3,059,196
Accrued income	852,353	867,534
Guarantee deposits	930,748	995,678
Domestic exchange settlement debits	716,015	523,182
Others	10,330	32,329
Allowances for credit losses	(18,476)	(11,461)
Present value discount	(1,617)	(1,754)
	5,986,686	5,464,704
Other non-financial assets		
Other receivables	192	86
Prepaid expenses	199,227	120,873
Guarantee deposits	3,165	3,047
Prepayments	25,770	70,742
Others	80,781	49,459
Allowances for credit losses	(9,865)	(16,528)
	299,270	227,679
	6,285,956	5,692,383

18.2 Changes in allowances for credit losses of other assets for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020		
	Other financial assets	**Other non-financial assets**	**Total**
Beginning	11,461	16,528	27,989
Provision	2,422	1,733	4,155
Write-offs	(3,123)	(8,458)	(11,581)
Business combination	5,241	59	5,300
Others	2,475	3	2,478
Ending	18,476	9,865	28,341

(In millions of Korean won)	2019		
	Other financial assets	**Other non-financial assets**	**Total**
Beginning	21,775	16,992	38,767
Reversal	(7,758)	(312)	(8,070)
Write-offs	(3,367)	(152)	(3,519)
Others	811	-	811
Ending	11,461	16,528	27,989

19. Deposits

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

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Demand deposits		
Demand deposits in Korean won	155,897,006	124,457,990
Demand deposits in foreign currencies	12,011,549	7,937,663
	167,908,555	132,395,653
Time deposits		
Time deposits in Korean won	148,096,454	156,738,952
Time deposits in foreign currencies	11,876,470	7,561,299
Fair value adjustments on fair value hedged time deposits in foreign currencies	2,088	(18,391)
	159,975,012	164,281,860
Certificates of deposits	2,468,924	4,239,969
	330,352,491	300,917,482

20. Borrowings

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

(In millions of Korean won)	December 31, 2020	December 31, 2019
Borrowings	24,662,850	18,043,380
Bonds sold under repurchase agreements and others	1,318,049	830,095
Call money	889,932	267,787
	26,870,831	19,141,262

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

(In millions of Korean won)		Lenders	Annual interest rate (%)	December 31, 2020	December 31, 2019
Borrowings in Korean won	Borrowings from the Bank of Korea	The Bank of Korea	0.25	6,463,267	2,649,851
	Borrowings from the government	SEMAS and others	0.00~2.70	2,675,568	1,658,810
	Borrowings from non-banking financial institutions	The Korea Development Bank	0.20~1.45	446,502	408,042
	Other borrowings	Geumjeong Project Finance Investment Co., Ltd. and others	0.00~4.90	4,854,745	4,344,937
				14,440,082	9,061,640
Borrowings in foreign currencies	Due to banks	Commonwealth Bank of Australia and others	-	292	4,682
	Borrowings from banks	Central Bank of Uzbekistan and others	0.00~8.84	9,197,047	7,450,947
	Borrowings from other financial institutions	The Export-Import Bank of Korea and others	0.70~1.47	23,827	7,081
	Other borrowings	Bank of New York Mellon and others	-	1,001,602	1,519,030
				10,222,768	8,981,740
				24,662,850	18,043,380

20.3 Details of bonds sold under repurchase agreements and others as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	Lenders	Annual interest rate (%)	December 31, 2020	December 31, 2019
Bonds sold under repurchase agreements	Individuals, groups, corporations	0.00~1.13	1,313,483	825,710
Bills sold	Counter sale	0.10~0.35	4,566	4,385
			1,318,049	830,095

20.4 Details of call money as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Lenders	Annual interest rate (%)	December 31, 2020	December 31, 2019
Call money in Korean won	Mitsui Sumitomo Bank Seoul	0.48	220,000	-
Call money in foreign currencies	Bank Mandiri and others	0.00~0.34	669,932	267,787
			889,932	267,787

21. Debentures

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

(In millions of Korean won)	Annual interest rate (%)	December 31, 2020	December 31, 2019
Debentures in Korean won			
Structured debentures	5.65~5.86	31,960	33,310
Subordinated fixed rate debentures	2.02~4.35	4,464,407	3,416,590
Fixed rate debentures	0.00~2.44	14,823,854	10,787,614
Floating rate debentures	0.58~0.77	1,890,000	300,000
		21,210,221	14,537,514
Fair value adjustments of fair value hedged debentures in Korean won		(6,839)	21,070
Less: Discount on debentures in Korean won		(8,070)	(3,588)
		21,195,312	14,554,996
Debentures in foreign currencies			
Floating rate debentures	0.58~1.51	1,353,472	1,301,367
Fixed rate debentures	0.05~10.47	4,359,842	2,857,545
		5,713,314	4,158,912
Fair value adjustments of fair value hedged debentures in foreign currencies		81,333	41,406
Less: Discount on debentures in foreign currencies		(20,375)	(15,322)
		5,774,272	4,184,996
		26,969,584	18,739,992

21.2 Changes in debentures based on face value for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Beginning	**Issue**	**Repayment**	**Business combination**	**Others**	**Ending**
Debentures in Korean won						
Structured debentures	33,310	-	(1,350)	-	-	31,960
Subordinated fixed rate debentures	3,416,590	1,750,000	(702,183)	-	-	4,464,407
Fixed rate debentures	10,787,614	13,528,640	(9,492,400)	-	-	14,823,854
Floating rate debentures	300,000	1,890,000	(300,000)	-	-	1,890,000
	14,537,514	17,168,640	(10,495,933)	-	-	21,210,221
Debentures in foreign currencies						
Floating rate debentures	1,301,367	493,753	(371,742)	-	(69,906)	1,353,472
Fixed rate debentures	2,857,545	2,313,792	(786,305)	231,804	(256,994)	4,359,842
	4,158,912	2,807,545	(1,158,047)	231,804	(326,900)	5,713,314
	18,696,426	19,976,185	(11,653,980)	231,804	(326,900)	26,923,535

(In millions of Korean won)

	2019				
	Beginning	**Issue**	**Repayment**	**Others**	**Ending**
Debentures in Korean won					
Structured debentures	34,320	-	(1,010)	-	33,310
Subordinated fixed rate debentures	3,422,729	-	(6,139)	-	3,416,590
Fixed rate debentures	15,024,545	8,597,400	(12,834,331)	-	10,787,614
Floating rate debentures	640,000	300,000	(640,000)	-	300,000
	19,121,594	8,897,400	(13,481,480)	-	14,537,514
Debentures in foreign currencies					
Floating rate debentures	1,344,628	60,780	(33,199)	(70,842)	1,301,367
Fixed rate debentures	2,725,699	595,490	(590,950)	127,306	2,857,545
	4,070,327	656,270	(624,149)	56,464	4,158,912
	23,191,921	9,553,670	(14,105,629)	56,464	18,696,426

22. Provisions

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

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Provisions for credit losses of loan commitments	159,828	95,755
Provisions for credit losses of acceptances and guarantees	62,356	76,256
Provisions for restoration costs	131,674	106,269
Others	34,156	32,860
	388,014	311,140

22.2 Changes in provisions for credit losses of unused loan commitments, acceptances and guarantees for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020					
	Provisions for credit losses of unused loan commitments			**Provisions for credit losses of acceptances and guarantees**		
	12-month expected credit losses	**Lifetime expected credit losses**		**12-month expected credit losses**	**Lifetime expected credit losses**	
		Non-impaired	**Impaired**		**Non-impaired**	**Impaired**
Beginning	61,085	34,670	-	23,881	35,588	16,787
Transfer between stages						
Transfer to 12-month expected credit losses	7,728	(7,723)	(5)	194	(191)	(3)
Transfer to lifetime expected credit losses	(7,186)	9,414	(2,228)	(486)	486	-
Impairment	(32)	(2,937)	2,969	(5)	(461)	466
Provision (reversal) for credit losses *	20,304	45,393	(736)	9,583	(20,390)	(2,734)
Business combination	330	2	-	618	-	-
Others (exchange differences, etc.)	(520)	(700)	-	(595)	(194)	(188)
Ending	81,709	78,119	-	33,190	14,838	14,328

(In millions of Korean won)	2019					
	Provisions for credit losses of unused loan commitments			**Provisions for credit losses of acceptances and guarantees**		
	12-month expected credit losses	**Lifetime expected credit losses**		**12-month expected credit losses**	**Lifetime expected credit losses**	
		Non-impaired	**Impaired**		**Non-impaired**	**Impaired**
Beginning	74,987	28,895	-	26,291	29,625	17,981
Transfer between stages						
Transfer to 12-month expected credit losses	15,262	(15,235)	(27)	365	(365)	-
Transfer to lifetime expected credit losses	(13,691)	13,749	(58)	(976)	1,705	(729)
Impairment	(118)	(800)	918	(24)	(280)	304
Provision (reversal) for credit losses	(15,676)	7,824	(833)	(1,971)	4,643	(892)
Business combination						
Others (exchange differences, etc.)	321	237	-	196	260	123
Ending	61,085	34,670	-	23,881	35,588	16,787

* Includes additional provision of ₩ 14,974 million for industries and borrowers which are highly affected by COVID-19, and ₩ 20,673 million due to expanding the scope of the loans subject to lifetime expected credit losses (non-impaired) for the year ended December 31, 2020.

22.3 Changes in provisions for restoration costs for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020	2019
Beginning	106,269	95,396
Provision	8,434	3,584
Reversal	(1,153)	(6,054)
Used	(7,102)	(3,658)
Unwinding of discount	2,111	1,981
Effect of changes in discount rate	23,115	15,020
Ending	131,674	106,269

Provisions for restoration costs are present value of estimated costs to be incurred for restoration of the leased properties. The expenditure of the restoration cost will be incurred at the end of each lease contract, and the lease period is used to reasonably estimate the time of expenditure. Also, the average restoration expense based on actual three-year historical data and three-year historical average inflation rate were used to estimate the present value of estimated costs.

22.4 Changes in other provisions for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Membership rewards program	Dormant accounts	Litigations	Financial guarantee liabilities	Others	Total
Beginning	53	3,578	10,662	5,411	13,156	32,860
Provision (reversal)	55	2,579	(3,002)	931	2,005	2,568
Used and others	(73)	(3,149)	(55)	5	(364)	(3,636)
Business combination	-	-	2,364	-	-	2,364
Ending	35	3,008	9,969	6,347	14,797	34,156

(In millions of Korean won)

	2019					
	Membership rewards program	Dormant accounts	Litigations	Financial guarantee liabilities	Others	Total
Beginning	61	4,375	6,478	2,391	21,894	35,199
Provision	61	2,296	8,160	3,020	710	14,247
Used and others	(69)	(3,093)	(3,976)	-	(9,448)	(16,586)
Ending	53	3,578	10,662	5,411	13,156	32,860

23. Net Defined Benefit Liabilities

23.1 Defined Benefit Plan

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

- The Group has the obligation to pay the agreed benefits to all its current and former employees.
- The Group assumes actuarial risk (that benefits will cost more than expected) and investment risk.

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

23.2 Changes in net defined benefit liabilities for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liabilities**
Beginning	1,669,963	(1,490,853)	179,110
Current service cost	155,819	-	155,819
Interest expense (income)	32,956	(29,382)	3,574
Remeasurements:			
Actuarial gains and losses by experience adjustments	1,289	-	1,289
Actuarial gains and losses by changes in demographic assumptions	-	-	-
Actuarial gains and losses by changes in financial assumptions	-	-	-
Return on plan assets (excluding amounts included in interest income)	-	4,230	4,230
Contributions by the Group	-	(187,900)	(187,900)
Payments from plans (benefit payments)	(120,513)	120,513	-
Payments from the Group	(6,209)	-	(6,209)
Transfer in	4,318	(3,696)	622
Transfer out	(3,720)	3,720	-
Effects of changes in foreign exchange rate	(274)	-	(274)
Business combination	15,141	-	15,141
Ending	1,748,770	(1,583,368)	165,402

(In millions of Korean won)	2019		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liabilities**
Beginning	1,549,092	(1,382,487)	166,605
Current service cost	151,846	-	151,846
Past service cost	2,276	-	2,276
Interest expense (income)	35,227	(31,403)	3,824
Remeasurements:			
Actuarial gains or losses by experience adjustments	10,219	-	10,219
Actuarial gains or losses by changes in demographic assumptions	(5,128)	-	(5,128)
Actuarial gains or losses by changes in financial assumptions	42,426	-	42,426
Return on plan assets (excluding amounts included in interest income)	-	8,165	8,165
Contributions by the Group	-	(196,100)	(196,100)
Payments from plans (benefit payments)	(112,516)	112,516	-
Payments from the Group	(5,323)	-	(5,323)
Transfer in	4,406	(4,102)	304
Transfer out	(2,558)	2,558	-
Effects of changes in foreign exchange rate	(4)	-	(4)
Ending	1,669,963	(1,490,853)	179,110

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

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Present value of defined benefit obligation	1,748,770	1,669,963
Fair value of plan assets	(1,583,368)	(1,490,853)
Net defined benefit liabilities	165,402	179,110

23.4 Details of remeasurements of net defined benefit liabilities recognized as other comprehensive income (loss) for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**	**2019**
Remeasurements:		
Actuarial loss arising from experience adjustment	(1,289)	(10,219)
Actuarial gains arising from changes in demographic assumptions	-	5,128
Actuarial losses arising from changes in financial assumptions	-	(42,426)
Return on plan assets (excluding amounts included in interest income)	(4,230)	(8,165)
Income tax effects	1,518	15,313
Effect of exchange difference	(165)	-
Remeasurements after income tax	(4,166)	(40,369)

23.5 Details of fair value of plan assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020		
	Assets quoted in an active market	**Assets not quoted in an active market**	**Total**
Time deposits	-	1,433,077	1,433,077
Others	-	150,291	150,291
	-	1,583,368	1,583,368

(In millions of Korean won)	December 31, 2019		
	Assets quoted in an active market	**Assets not quoted in an active market**	**Total**
Time deposits	-	1,490,590	1,490,590
Others	-	263	263
	-	1,490,853	1,490,853

23.6 Details of key actuarial assumptions used as of December 31, 2020 and 2019, are as follows:

	Ratio (%)	
	December 31, 2020	**December 31, 2019**
Discount rate	2.00	2.00
Salary increase rate	3.75	3.75
Turnover	1.00	1.00

Mortality assumptions are based on the experience-based mortality table issued by Korea Insurance Development Institute in 2019.

23.7 Sensitivity analysis results of significant actuarial assumptions as of December 31, 2020, are as follows:

		Effect on defined benefit obligation	
	Changes in principal assumptions	**Increase in principal assumptions**	**Decrease in principal assumptions**
Discount rate	0.5%p	4.09% decrease	4.39% increase
Salary increase rate	0.5%p	4.01% increase	3.78% decrease
Turnover	0.5%p	0.46% decrease	0.48% increase

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the same projected unit credit method used in calculating the defined benefit obligations recognized in the consolidated statement of financial position.

23.8 Expected maturity analysis of undiscounted pension benefits as of December 31, 2020, are as follows:

(In millions of Korean won)

	Up to 1 year	**1~2 years**	**2~5 years**	**5~10 years**	**Over 10 years**	**Total**
Pension benefits	59,907	129,286	494,831	1,009,277	2,643,188	4,336,489

The weighted average duration of the defined benefit obligations is 8.65 and 8.88 years as of December 31, 2020 and December 31, 2019, respectively.

23.9 Expected contribution to plan assets for the next annual reporting period after December 31, 2020, is estimated to be approximately ₩ 154,000 million.

24. Other Liabilities

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

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Other financial liabilities		
Other payables	3,866,318	3,422,209
Prepaid card and debit cards payables	1,079	2,038
Accrued expenses	2,390,334	2,748,242
Financial guarantee liabilities	45,817	41,008
Deposits for letter of guarantees and others	456,536	286,946
Domestic exchange settlement credits	933,330	2,073,263
Foreign exchanges settlement credits	134,678	114,316
Borrowings from other business accounts	-	256
Due to trust accounts	7,542,955	5,216,460
Liabilities incurred from agency relationship	765,844	771,609
Account for agency businesses	400,507	407,475
Lease liabilities	380,629	344,417
Others	58,299	18,265
	16,976,326	15,446,504
Other non-financial liabilities		
Other payables	858,865	557,775
Unearned revenue	55,830	47,932
Accrued expenses	414,683	389,976
Withholding taxes	120,816	118,057
Others	55,226	65,368
	1,505,420	1,179,108
	18,481,746	16,625,612

25. Equity

25.1 Capital Stock

Details of capital stock of the Group as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won and in number of shares)	**Ordinary shares**	
	December 31, 2020	**December 31, 2019**
Number of authorized shares	1,000,000,000	1,000,000,000
Par value per share *(In Korean won)*	5,000	5,000
Number of issued shares	404,379,116	404,379,116
Capital stock	2,021,896	2,021,896

25.2 Hybrid Security

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

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

Above hybrid securities are early redeemable by the Group after 5 years from the issuance date and each interest payment date thereafter.

25.3 Capital Surplus

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

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Paid-in capital in excess of par value	4,604,417	4,604,417
Gain on business combination	397,669	397,669
Revaluation reserve	177,229	177,229
Other capital surplus	(370,833)	40,389
	4,808,482	5,219,704

25.4 Accumulated Other Comprehensive Income

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

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Remeasurements of net defined benefit liabilities	(220,178)	(216,067)
Exchange differences on translating foreign operations	(118,526)	15,943
Gains on debt securities measured at fair value through other comprehensive income	88,478	56,750
Gains on equity securities measured at fair value through other comprehensive income	733,332	303,338
Share of other comprehensive income (loss) of associates	(2,691)	4,287
Losses on cash flow hedging instruments	(10,073)	(3,691)
Gains (losses) on hedging instruments of net investments in foreign operations	24,103	(37,226)
	494,445	123,334

25.5 Retained Earnings

25.5.1 Details of retained earnings as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020	December 31, 2019
Legal reserves	2,042,675	2,041,898
Regulatory reserve for credit losses	2,441,875	2,291,019
Voluntary reserves	15,809,196	14,257,527
Unappropriated retained earnings	1,949,806	2,474,332
	22,243,552	21,064,776

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

25.5.2 Regulatory reserve for credit losses

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

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

(In millions of Korean won)	December 31, 2020	December 31, 2019
Regulatory reserve for credit losses attributable to:		
Shareholders of the Parent Company	2,534,401	2,441,875
Non-controlling interests	34,138	-
	2,568,539	2,441,875

25.5.2.2 Regulatory reserve for credit losses estimated to be appropriated and adjusted profit after provision (reversal) of regulatory reserve for credit losses for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020	2019
Regulatory reserve for credit losses estimated to be appropriated	92,526	150,856
Adjusted profit after provision of regulatory reserve for credit losses *	2,205,669	2,288,223

* Adjusted profit after provision (reversal) of regulatory reserve for credit losses is not based on Korean IFRS; this is calculated reflecting provision (reversal) of the reserve for credit losses before tax to the net profit attributable to shareholders of the Parent Company.

26. Net Interest Income

Details of interest income, expense, and net interest income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020	2019
Interest income		
Securities measured at fair value through profit or loss	189,396	202,244
Loans measured at fair value through profit or loss	1,596	9,686
Securities measured at fair value through other comprehensive income	500,582	602,042
Loans measured at fair value through other comprehensive income	6,161	13,670
Due from financial institutions measured at amortized cost	36,880	64,653
Securities measured at amortized cost	284,277	302,329
Loans measured at amortized cost	9,246,075	9,451,056
Others	191,198	134,268
	10,456,165	10,779,948
Interest expense		
Deposits	2,885,914	3,452,860
Borrowings	307,561	344,285
Debentures	445,350	517,311
Others	62,574	101,705
	3,701,399	4,416,161
Net interest income	6,754,766	6,363,787

Interest income recognized on impaired loans is ₩ 22,173 million and ₩ 23,672 million for the years ended December 31, 2020 and 2019, respectively.

27. Net Fee and Commission Income

Details of fee and commission income, expense and net fee and commission income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**	**2019**
Fee and commission income		
Banking activity fees	196,196	221,600
Lending activity fees	85,547	76,481
Credit card related fees	1,083	920
Debit card related fees	497	594
Agent activity fees	320,912	321,452
Trust and other fiduciary fees	233,595	308,084
Acceptances and guarantees fees	46,904	39,170
Foreign currency related fees	111,294	100,499
Security activity commissions	153,481	128,891
Other business account commission on consignment	40,461	36,813
Others	259,717	248,858
	1,449,687	1,483,362
Fee and commission expense		
Trading activity related fees *	12,939	12,898
Lending activity fees	41,105	31,613
Credit card related fees	28,108	29,303
Outsourcing related fees	108,521	95,988
Foreign currency related fees	21,198	24,140
Management fees of written-off loans	15,597	15,181
Contributions to external institutions	24,016	24,558
Others	130,281	116,385
	381,765	350,066
Net fee and commission income	1,067,922	1,133,296

* Fees from financial instruments at fair value through profit or loss.

28. Net Gains or Losses on Financial Instruments at Fair Value through Profit or Loss

Net gains or losses on financial instruments at fair value through profit or loss include dividend income and gains or losses arising from changes in fair values, sales and redemptions.

Details of net gains or losses on financial instruments at fair value through profit or loss for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020	2019
Gains on financial instruments at fair value through profit or loss		
Financial assets at fair value through profit or loss		
Debt securities	351,761	265,422
Equity securities	63,524	27,946
	415,285	293,368
Derivatives held for trading		
Interest rate	1,594,891	1,692,513
Currency	7,625,271	4,995,524
Stock or stock index	1,556	254
Others	1,464	1,224
	9,223,182	6,689,515
Financial liabilities at fair value through profit or loss	291	394
Other financial instruments	689	5,810
	9,639,447	6,989,087
Losses on financial instruments at fair value through profit or loss		
Financial assets at fair value through profit or loss		
Debt securities	100,190	47,850
Equity securities	23,524	3,637
	123,714	51,487
Derivatives held for trading		
Interest rate	1,678,151	1,774,890
Currency	7,589,724	4,732,495
Stock or stock index	2,858	937
Others	285	484
	9,271,018	6,508,806
Financial liabilities at fair value through profit or loss	416	466
Other financial instruments	116	5,704
	9,395,264	6,566,463
Net gains on financial instruments at fair value through profit or loss	244,183	422,624

29. Net Other Operating Income and Expenses

Details of other operating income and expenses for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020	2019
Other operating income		
Gains related to financial assets at fair value through other comprehensive income		
Gains on redemption of the securities measured at fair value through other comprehensive income	279	524
Gains on sale of the securities measured at fair value through other comprehensive income	188,535	99,195
Gains related to financial assets at amortized cost		
Gains on sale of loans measured at amortized cost	93,643	19,346
Gains on foreign exchange transactions	2,458,399	1,554,311
Dividend income	29,834	43,146
Others	203,829	198,049
	2,974,519	1,914,571
Other operating expenses		
Losses related to financial assets at fair value through other comprehensive income		
Losses on redemption of the securities measured at fair value through other comprehensive income	247	-
Losses on sale of the securities measured at fair value through other comprehensive income	7,309	4,195
Losses related to financial assets at amortized cost		
Losses on sale of loans measured at amortized cost	10,278	15,015
Losses on foreign exchanges transactions	2,094,443	1,515,382
Deposit insurance fee	449,076	411,680
Credit guarantee fund fee	242,216	213,911
Others	401,156	355,027
	3,204,725	2,515,210
Net other operating expenses	(230,206)	(600,639)

30. General and Administrative Expenses

30.1 Details of general and administrative expenses for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020	2019
Employee Benefits		
Salaries and short-term employee benefits - salaries	1,605,098	1,489,102
Salaries and short-term employee benefits - welfare expense	658,347	638,184
Post-employment benefits - defined benefit plans	159,393	157,946
Post-employment benefits - defined contribution plans	9,807	7,220
Termination benefits	302,118	213,749
Share-based payments	13,364	15,173
	2,748,127	2,521,374
Depreciation and amortization	569,721	509,346
Other general and administrative expenses		
Rental expense	66,070	62,277
Tax and dues	134,033	126,975
Communication	30,893	26,035
Electricity and utilities	25,825	22,435
Publication	7,848	8,977
Repairs and maintenance	17,392	12,037
Vehicle	9,791	6,878
Travel	2,776	5,163
Training	18,059	19,078
Service fees	134,421	123,425
Supplies	25,214	19,460
IT cost	161,562	154,503
Others	249,614	269,456
	883,498	856,699
	4,201,346	3,887,419

30.2 Share-based Payments

30.2.1 Stock grants

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

30.2.1.1 Details of stock grants linked to long-term performance as of December 31, 2020, are as follows:

(In number of shares)

Stock grants	Grant date	Number of granted shares [1]	Vesting conditions [2]
Series 75	2019-01-01	154,996	Services fulfillment, TSR 0~50%, Company and work performance 50~100%
Series 76	2019-04-01	5,380	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Series 77	2019-05-27	4,468	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Series 78	2019-11-21	36,443	Services fulfillment, TSR 30%, EPS and Asset Quality 70%
Series 79	2020-01-01	241,609	Services fulfillment, TSR 0~50%, Company and work performance 50~100%
Series 80	2020-03-01	7,711	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Deferred grant in 2015	-	2,759	
Deferred grant in 2016	-	19,109	
Deferred grant in 2017	-	47,863	
Deferred grant in 2018	-	65,514	
Deferred grant in 2019	-	98,194	
		684,046	

[1] Granted shares represent the total number of shares initially granted to executives and employees who have residual shares as of December 31, 2020 (Deferred grants are residual shares vested as of December 31, 2020).

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

30.2.1.2 Details of stock grants linked to short-term performance as of December 31, 2020, are as follows:

(In number of shares)

Stock grants *	Grant date	Estimated number of vested shares	Vesting conditions
Stock granted in 2015	2015-01-01	9,887	Vested
Stock granted in 2016	2016-01-01	19,662	Vested
Stock granted in 2017	2017-01-01	30,003	Vested
Stock granted in 2018	2018-01-01	73,989	Vested
Stock granted in 2019	2019-01-01	125,530	Vested
Stock granted in 2020	2020-01-01	121,676	Proportion to service period

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

30.2.1.3 Stock grants are measured at fair value using the MonteCarlo Simulation Model and assumptions used in determining the fair value as of December 31, 2020, are as follows:

(In Korean won)

	Expected exercise period (years)	Risk-free rate (%)	Fair value (market performance condition)	Fair value (non-market performance condition)
Series 75	0.00~3.00	0.74%	38,789~45,096	38,789~45,096
Series 76	0.25~4.00	0.74%	37,324~41,899	37,324~41,899
Series 77	0.40~4.00	0.74%	37,324~41,899	37,324~41,899
Series 78	0.89~4.00	0.74%	36,370~40,828	37,324~41,899
Series 79	1.00~4.00	0.74%	37,324~45,096	37,324~45,096
Series 80	1.16~5.00	0.74%	35,895~40,299	35,895~40,299
Grant deferred in 2015	0.00~1.00	0.74%	-	41,899~45,096
Grant deferred in 2016	0.00~3.00	0.74%	-	38,789~45,096
Grant deferred in 2017	0.00~3.00	0.74%	-	38,789~45,096
Grant deferred in 2018	0.00~3.00	0.74%	-	38,789~45,096
Grant deferred in 2019	0.00~2.00	0.74%	-	40,299~45,096
Stock granted in 2015	0.00~3.00	0.74%	-	38,789~47,153
Stock granted in 2016	0.00~4.00	0.74%	-	37,324~61,294
Stock granted in 2017	0.00~3.00	0.74%	-	38,789~47,631
Stock granted in 2018	0.00~3.00	0.74%	-	38,789~47,631
Stock granted in 2019	0.00~2.00	0.74%	-	40,299~45,096
Stock granted in 2020	1.00~3.00	0.74%	-	38,789~41,899

The Group used the volatility of the stock price over the previous year as the expected volatility, and used the arithmetic mean of the dividend rate of one year before, two years before, and three years before the base year as the dividend rate, and used one-year risk-free rate of Korea Treasury Bond in order to calculate fair value.

30.2.1.4 The accrued expenses for share-based payments related to stock grants are ₩ 39,499 million and ₩ 41,344 million as of December 31, 2020 and 2019, respectively, and the compensation costs from stock grants amounting to ₩ 13,364 million and ₩ 15,173 million were recognized for the years ended December 31, 2020 and 2019, respectively.

30.2.2 Mileage stock

30.2.2.1 Details of mileage stock as of December 31, 2020, are as follows:

(In number of shares)

Grant date	Number of granted shares [1]	Expected exercise period (years) [2]	Remaining shares
Stock granted in 2018			
Jan. 10, 2018	19,197	0.00~0.02	13,522
Feb. 12, 2018	9	0.00~0.12	3
Apr. 02, 2018	115	0.00~0.25	82
Apr. 30, 2018	86	0.00~0.33	49
May 08, 2018	170	0.00~0.35	140
Jun. 01, 2018	140	0.00~0.41	106
Jul. 02, 2018	180	0.00~0.50	123
Aug. 07, 2018	194	0.00~0.60	149
Aug. 09, 2018	47	0.00~0.60	31
Aug. 14, 2018	30	0.00~0.62	26
Aug. 16, 2018	130	0.00~0.62	93
Sep. 07, 2018	106	0.00~0.68	77
Oct. 04, 2018	129	0.00~0.76	78
Nov. 01, 2018	258	0.00~0.83	200
Nov. 06, 2018	236	0.00~0.85	168
Dec. 03, 2018	132	0.00~0.92	127
Dec. 04, 2018	21	0.00~0.92	21
Dec. 07, 2018	91	0.00~0.93	78
Dec. 12, 2018	64	0.00~0.95	32
Dec. 18, 2018	271	0.00~0.96	237
Dec. 19, 2018	42	0.00~0.96	34
Dec. 31, 2018	127	0.00~1.00	106
Stock granted in 2019			
Jan. 11, 2019	26,580	0.00~1.03	21,231
Feb. 01, 2019	12	0.00~1.08	8
Apr. 01, 2019	167	0.00~1.25	96
Apr. 18, 2019	105	0.00~1.29	81
Apr. 22, 2019	33	0.00~1.30	33
Jul. 01, 2019	109	0.00~1.50	87
Aug. 29, 2019	39	0.00~1.66	39
Sep. 02, 2019	50	0.00~1.67	50
Nov. 01, 2019	119	0.00~1.83	95
Nov. 08, 2019	14	0.00~1.85	14
Dec. 05, 2019	56	0.00~1.93	54
Dec. 06, 2019	84	0.00~1.93	84
Dec. 31, 2019	87	0.00~2.00	87
Stock granted in 2020			
Jan. 18, 2020	28,645	0.00~2.05	27,672
May 12, 2020	46	0.00~2.36	46
Jun. 30, 2020	206	0.00~2.50	206
Aug. 26, 2020	40	0.00~2.65	40
Oct. 29, 2020	160	0.00~2.83	160
Nov. 6, 2020	45	0.00~2.85	45

Nov. 30, 2020	35	0.00~2.92	35
Dec. 2, 2020	57	0.00~2.92	57
Dec. 4, 2020	154	0.00~2.93	154
Dec. 30, 2020	88	0.00~3.00	88
	78,706		65,944

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

[2] The shares are assessed based on the stock price as of December 31, 2020. These shares are vested immediately at grant date.

30.2.2.2 The accrued expenses for share-based payments related to mileage stock as of December 31, 2020 and 2019, are ₩ 2,862 million and ₩ 2,705 million, respectively. The compensation costs amounting to ₩ 1,086 million and ₩ 1,334 million were recognized as expenses for the years ended December 31, 2020 and 2019, respectively.

31. Non-Operating Income and Expenses

Details of non-operating income and expenses for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**	**2019**
Non-operating income		
Gains on disposal of property and equipment and assets held for sale	97,905	3,343
Rental income	36,463	24,640
Others	25,133	57,634
	159,501	85,617
Non-operating expenses		
Losses on disposal of property and equipment and assets held for sale	2,198	4,591
Donation	88,987	84,211
Restoration costs	2,413	3,017
Others	37,059	32,685
	130,657	124,504
Net non-operating income (expenses)	28,844	(38,887)

32. Income Tax Expense

32.1 Details of income tax expense for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020	2019
Tax payable		
Current tax expense	1,034,430	793,937
Adjustments of tax of prior years recognized in current tax	(19,390)	(24,034)
	1,015,040	769,903
Changes in deferred income tax assets and liabilities *	93,480	128,653
Income tax expense of overseas branches	15,795	8,615
Income tax recognized directly in equity		
Net gains or losses on equity instruments at fair value through other comprehensive income	(163,101)	(502)
Net gains or losses on debt instruments at fair value through other comprehensive income	(13,227)	(12,709)
Exchange differences on translating foreign operations	10,516	(4,488)
Remeasurements of net defined benefit liabilities	1,518	15,313
Gains or losses on hedging instruments of net investments in foreign operations	(23,263)	2,378
Gains or losses on cash flow hedging instruments	2,421	5,777
Share of other comprehensive income or loss of associates	2,647	(2,862)
	(182,489)	2,907
Reclassification from AOCI to retained earnings due to sale of equity securities measured at fair value through other comprehensive income	(89,763)	7,007
Consolidated tax return effect	(39,238)	(37,692)
Others	(521)	-
Income tax expense	812,304	879,393

* Effect of business combination is excluded.

32.2 Analysis of the net profit before income tax and income tax expense for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020	2019
Profit before income tax	3,131,823	3,318,472
Tax at the applicable tax rate *	850,890	902,218
Non-taxable income	(10,318)	(4,035)
Non-deductible expense	6,960	12,174
Tax credit and tax exemption	(1,197)	(381)
Temporary difference for which no deferred tax is recognized	21,066	1,253
Income tax refund for tax of prior years	(27,913)	(9,938)
Income tax expense of overseas branch	15,795	8,615
Tax effect of investments in foreign subsidiaries	(1,804)	81
Foreign subsidiary tax rate difference effect	(8,727)	(774)
Consolidated tax return effect	(39,238)	(37,692)
Others	6,790	7,872
Income tax expense	812,304	879,393
Income tax expense/Profit before income tax (%)	25.94	26.50

* Applicable income tax rate for ₩ 200 million and below is 11%, for over ₩ 200 million to ₩ 20 billion is 22%, for over ₩ 20 billion to ₩ 300 billion is 24.2% and for over ₩ 300 billion is 27.5% for the years ended December 31, 2020 and 2019.

32.3 Details of current tax liabilities (income tax payables) and current tax assets (income tax refund receivables) before offsetting as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Tax payables after offsetting [1, 2]	604,763	405,894
Adjustment on consolidated tax payable and others [3]	(39,238)	(37,692)
Consolidated tax return accounts payables [4]	(528,044)	(359,864)
Current tax payable	37,481	8,338

[1] Current tax assets of ₩ 36,462 million and ₩ 9,692 million due to uncertain tax position and current tax assets of ₩ 11,385 million and ₩ 4,212 million for overseas branches were excluded, which does not qualify for offsetting as of December 31, 2020 and 2019, respectively.

[2] Includes income tax payable of ₩ 37,481 million and ₩ 8,338 million under current tax liabilities, which are not to be offset against any income tax refund receivables, such as those of overseas branches as of December 31, 2020 and 2019, respectively.

[3] Tax expense reduced due to the adoption of consolidated tax return was recognized as tax benefit.

[4] The amount of income tax payable is reclassified as accounts payable, not to the tax authority, but to KB Financial Group Inc. due to the adoption of consolidated tax return.

33. Dividends

The year-end dividend to the shareholder of the Bank for the year ended December 31, 2020, of ₩2,270 per share (total dividend: ₩ 917,941 million), is to be proposed at the annual general shareholder’s meeting on March 25, 2021. The Group's consolidated financial statements as of December 31, 2020, do not reflect this dividend payable. According to the resolution of the board of directors on August 27, 2020, the interim dividend per share of ₩ 1,480 (total dividend: ₩ 598,481 million) was decided and paid in August 2020.

34. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020					
	Beginning	**Changes (excluding reclassifica-tion)**	**Reclassification to profit or loss**	**Tax effect**	**Transfer to retained earnings**	**Ending**
Remeasurements of net defined benefit liabilities	(216,067)	(5,629)	-	1,518	-	(220,178)
Exchange differences on translating foreign operations	15,943	(144,985)	-	10,516	-	(118,526)
Gains on debt securities measured at fair value through other comprehensive income	56,750	129,688	(84,733)	(13,227)	-	88,478
Gains on equity securities measured at fair value through other comprehensive income	303,338	919,505	-	(163,101)	(326,410)	733,332
Share of other comprehensive income (loss) of associates	4,287	(3,725)	(5,900)	2,647	-	(2,691)
Losses on cash flow hedging instruments	(3,691)	(10,553)	1,750	2,421	-	(10,073)
Gains (losses) on hedging instruments of net investments in foreign operations	(37,226)	84,592	-	(23,263)	-	24,103
	123,334	968,893	(88,883)	(182,489)	(326,410)	494,445

(In millions of Korean won)	2019					
	Beginning	**Changes (excluding reclassifica-tion)**	**Reclassification to profit or loss**	**Tax effect**	**Transfer to retained earnings**	**Ending**
Remeasurements of net defined benefit liabilities	(175,698)	(55,682)	-	15,313	-	(216,067)
Exchange differences on translating foreign operations	(10,328)	25,406	5,353	(4,488)	-	15,943
Gains on debt securities measured at fair value through other comprehensive income	22,475	98,224	(51,240)	(12,709)	-	56,750
Gains on equity securities measured at fair value through other comprehensive income	302,014	(23,657)	-	(502)	25,483	303,338
Share of other comprehensive income of associates	(3,259)	10,408	-	(2,862)	-	4,287
Gains (losses) on cash flow hedging instruments	11,539	(18,108)	(2,899)	5,777	-	(3,691)
Losses on hedging instruments of net investments in foreign operations	(30,959)	(9,962)	1,317	2,378	-	(37,226)
	115,784	26,629	(47,469)	2,907	25,483	123,334

35. Trust Accounts

35.1 Financial information of the trust accounts the Group manages, as of December 31, 2020 and 2019, and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	Total assets		Operating revenues	
	December 31, 2020	December 31, 2019	2020	2019
Consolidated	4,460,439	4,384,959	138,422	137,017
Unconsolidated	54,197,612	51,685,885	1,872,611	2,206,184
	58,658,051	56,070,844	2,011,033	2,343,201

* Financial information of the trust accounts has been prepared in accordance with the Statement of Korea Accounting Standard No.5004, *Trust Accounts*, and enforcement regulations of the Financial Investment Services under the Financial Investment Services and Capital Markets Act.

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

(In millions of Korean won)		December 31, 2020	December 31, 2019
Trust Segment	**Assets**		
	Accrued trust fees	43,590	37,340
	Other accrued income	21,898	23,976
		65,488	61,316
	Liabilities		
	Due to trust accounts	2,428,780	1,268,401
	Accrued interest on due to trust accounts	5,088	7,081
	Deposits	284,971	278,975
	Accrued interest on deposits	811	2,481
		2,719,650	1,556,938
Custody Segment	**Assets**		
	Accrued trust fees	6,453	6,387
	Liabilities		
	Due to trust accounts	5,114,175	3,948,059
	Accrued interest on due to trust accounts	1,124	3,055
		5,115,299	3,951,114

35.3 Significant revenues and expenses related to the Group's trust accounts for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)		2020	2019
Trust Segment	**Revenues**		
	Fees and commissions from trust accounts	200,718	276,985
	Management fees and commissions from retirement pension	22,238	25,741
	Commissions from early termination in trust accounts	45	119
		223,001	302,845
	Expenses		
	Interest expenses on due to trust accounts	10,663	20,515
	Interest expenses on deposits	4,013	12,926
		14,676	33,441
Custody Segment	**Revenues**		
	Fees and commissions from trust accounts	32,878	31,099
	Expenses		
	Interest expenses on due to trust accounts	19,969	45,191

36. Statement of Cash Flow

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

(In millions of Korean won)	December 31, 2020	December 31, 2019
Cash	2,558,591	2,310,852
Checks with other banks	327,781	383,501
Due from the Bank of Korea	11,649,551	8,336,097
Due from other financial institutions	5,436,346	3,450,859
	19,972,269	14,481,309
Restricted due from financial institutions	(12,773,039)	(8,759,432)
Due from financial institutions with original maturities over three months	(394,931)	(842,565)
	(13,167,970)	(9,601,997)
	6,804,299	4,879,312

36.2 Significant non-cash transactions for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020	2019
Decrease in loans due to write-offs	648,967	539,584
Changes in accumulated other comprehensive income from valuation of debt securities measured at fair value through other comprehensive income	31,728	34,275
Changes in accumulated other comprehensive income from valuation of equity securities measured at fair value through other comprehensive income	429,994	(11,713)
Changes in accumulated other comprehensive income from valuation of investments in associates	(6,978)	7,546
Changes in financial investments due to debt-for-equity swap	13,820	88,958

36.3 Cash inflows and outflows from income tax, interest and dividends for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	Activities	2020	2019
Income tax paid	Operating	836,703	961,615
Interest received	Operating	10,812,128	10,968,984
Interest paid	Operating	4,258,011	4,325,880
Dividends received	Operating	105,098	101,657
Dividends paid	Financing	1,330,407	667,226
Interest (dividends) paid on hybrid securities	Financing	25,658	-

36.4 Changes in liabilities arising from financial activities for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020							
	Derivatives held for hedging *	**Borrowings**	**Debentures**	**Due to trust accounts**	**Lease liabilities**	**Deposits for letter of guarantees**	**Other payables**	**Total**
Beginning	(114,590)	19,141,262	18,739,992	5,216,460	344,417	286,946	61,284	43,675,771
Cash flow	(16,202)	6,332,405	8,298,952	2,326,495	(163,382)	169,500	(31,122)	16,916,646
New lease and termination	-	-	-	-	158,859	-	-	158,859
Exchange differences	-	(479,481)	(324,375)	-	-	-	(45,273)	(849,129)
Changes in fair values	(36,017)	-	12,018	-	-	-	-	(23,999)
Changes from business combination	-	1,876,826	229,277	-	32,436	-	419,738	2,558,277
Other changes from non-cash transactions	23,969	(181)	13,719	-	8,299	90	14,681	60,577
Ending	(142,840)	26,870,831	26,969,583	7,542,955	380,629	456,536	419,308	62,497,002

(In millions of Korean won)

	2019							
	Derivatives held for hedging *	**Borrowings**	**Debentures**	**Due to trust accounts**	**Lease liabilities**	**Deposits for letter of guarantees**	**Other payables**	**Total**
Beginning	14,643	17,496,056	23,163,585	5,285,107	340,522	156,364	104,184	46,560,461
Cash flow	(28,631)	1,290,505	(4,561,661)	(68,647)	(164,201)	130,566	(32,864)	(3,434,933)
New lease and termination	-	-	-	-	160,451	-	-	160,451
Exchange differences	-	355,151	56,463	-	-	-	-	411,614
Changes in fair values	(108,220)	-	67,297	-	-	-	-	(40,923)
Changes from business combination	-	-	-	-	-	-	93,277	93,277
Other changes from non-cash transactions	7,618	(450)	14,308	-	7,645	16	(103,313)	(74,176)
Ending	(114,590)	19,141,262	18,739,992	5,216,460	344,417	286,946	61,284	43,675,771

* Derivatives held for hedging purposes are the net amount after offsetting liabilities from assets.

37. Contingent Liabilities and Commitments

37.1 Details of acceptances and guarantees as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Confirmed acceptances and guarantees		
Confirmed acceptances and guarantees in Korean won		
Acceptances and guarantees for KB purchasing loan	144,457	161,314
Performance bond	3,476	3,686
Refund guarantees	27,811	28,021
Others	1,017,561	715,116
	1,193,305	908,137
Confirmed acceptances and guarantees in foreign currencies		
Acceptances of letter of credit	221,422	155,151
Letter of guarantees	45,693	49,754
Bid bond	72,037	37,765
Performance bond	703,826	718,097
Refund guarantees	801,445	1,022,646
Others	3,084,067	2,935,939
	4,928,490	4,919,352
Financial guarantees		
Acceptances and guarantees for issuance of debenture	10,040	-
Acceptances and guarantees for mortgage	89,302	47,384
Overseas debt guarantees	410,470	406,680
International financing guarantees in foreign currencies	197,097	231,685
Other financial guarantees in Korean won	50,950	230,000
	757,859	915,749
	6,879,654	6,743,238
Unconfirmed acceptances and guarantees		
Guarantees of letter of credit	2,094,989	1,845,509
Refund guarantees	344,112	654,496
	2,439,101	2,500,005
	9,318,755	9,243,243

37.2 Credit quality of the acceptances and guarantees exposure as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020			
	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-impaired	Impaired	
Confirmed acceptances and guarantees *				
Grade 1	4,377,798	1,119	-	4,378,917
Grade 2	2,281,423	47,438	-	2,328,861
Grade 3	27,588	85,321	-	112,909
Grade 4	14,925	33,440	501	48,866
Grade 5	-	453	9,648	10,101
	6,701,734	167,771	10,149	6,879,654
Unconfirmed acceptances and guarantees *				
Grade 1	1,422,528	771	-	1,423,299
Grade 2	912,209	28,506	-	940,715
Grade 3	11,399	23,069	-	34,468
Grade 4	2,369	29,934	-	32,303
Grade 5	-	589	7,727	8,316
	2,348,505	82,869	7,727	2,439,101
	9,050,239	250,640	17,876	9,318,755

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

* Applied same criteria as the credit quality classification of loans.

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

(In millions of Korean won)	December 31, 2020			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
Large companies	5,549,971	1,770,235	7,320,206	78.55
Small and medium-sized companies	695,860	459,487	1,155,347	12.40
Public sector and others	633,823	209,379	843,202	9.05
	6,879,654	2,439,101	9,318,755	100.00

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

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

(In millions of Korean won)	December 31, 2020			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
Financial institutions	644,915	5,870	650,785	6.98
Manufacturing	2,992,319	1,285,530	4,277,849	45.91
Service	920,352	89,457	1,009,809	10.84
Wholesale and retail	1,086,772	891,619	1,978,391	21.23
Construction	411,601	14,488	426,089	4.57
Public sector	104,925	103,285	208,210	2.23
Others	718,770	48,852	767,622	8.24
	6,879,654	2,439,101	9,318,755	100.00

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

37.5 Details of commitments as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Commitments		
Corporate loan commitments	39,529,706	41,340,286
Retail loan commitments	46,373,309	42,492,182
Other commitments in Korean won	1,300,000	1,300,000
Purchase of other securities	4,535,281	2,733,757
	91,738,296	87,866,225
Financial Guarantees		
Credit line	2,913,260	1,797,802
Purchase of securities	683,800	591,500
	3,597,060	2,389,302
	95,335,356	90,255,527

37.6 Other Matters (including litigation)

a) The Group has 51 pending lawsuits as a plaintiff (excluding simple lawsuits related to the collection or management of loans), with an aggregate claims of ₩ 210,298 million, and details of pending lawsuits in which the Group is a defendant as of December 31, 2020, are as follows:

(in number of cases, in millions of Korean won)

Lawsuits	No. of cases	Amount	Description of the lawsuits	Status of the lawsuits
Request for a return of redemption amount	1	48,068	Kookmin Bank invested the assets entrusted by OO Asset Management and OO Investment Trust Management in the Fairfield Sentry Limited, and Fairfield Sentry Limited reinvested the assets in Bernard L. Madoff Investment Securities LLC managed by Bernard Madoff (Bernard L. Madoff Investment Securities LLC is in the liquidation process due to Ponzi scheme fraud-related losses). Bankruptcy trustee of Bernard L. Madoff Investment Securities LLC filed a lawsuit against Kookmin Bank seeking to return the amount of redemptions received by Kookmin Bank through Fairfield Sentry Limited.	Application for incineration by the defendant has been denied, and further proceedings are scheduled. [Related litigation is in progress at the New York Southern District Bankruptcy Court (10-03777) at the written complaint review stage]
Request for compensation for damages	1	1,629,557	The plaintiff filed a lawsuit for compensation for damages against Indonesian Financial Supervisory Authority (OJK) and Kookmin Bank as joint defendants, claiming that the capital increase and Kookmin Bank's acquisition of PT Bank Bukopin TBK was illegal in violation of local laws and regulations in Indonesia.	It is difficult to accurately predict the result of the lawsuit as of now because the complaint has not been received, but it is judged that the possibility that the result of this lawsuit will have a significant impact on the financial position of Kookmin Bank is low.
Others	126	161,605	Others (excluding simple lawsuits related to the collection or management of loans)	
	128	1,839,230		

b) The proliferation of COVID-19 has had a negative impact on the global economy, which has a greater impact than expected credit losses and potential impairment of assets in a particular portfolio, which can negatively affect the profit generation capability of the Group as follows:

– There is a possibility of uncertainty about the credit risk of a borrower that could be affected by COVID-19.
– Uncertainty may arise about forward-looking macroeconomic information related to expected credit losses.
– Korean won may depreciate against major foreign currencies. This may result in an increase in principal and interest payments on liabilities denominated in foreign currencies, and losses on foreign exchanges transactions.
– A significant decrease in the fair value of the Group's investment in an entity that could be affected by COVID-19 pandemic can occur.

Meanwhile, the Group's accounting policy related to COVID-19 is described in Note 2.4 Critical accounting estimates and the impact on expected credit losses is described in Note 11.1 Changes in allowances for credit losses of loans and Note 22.2 Changes in provisions for credit losses of unused loan commitments, acceptances and guarantees.

c) The Group has entered into an agreement with PT Bosowa Corporindo, a major shareholder of PT Bank Bukopin TBK. Under this agreement, the Group and PT Bosowa Corporindo have a right of first refusal and a tag-along right. In addition, the Group can exercise its drag-along right for two years from the time three years have elapsed since the acquisition date (July 27, 2018) in certain cases, such as violation of the agreement between shareholders.

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

38. Subsidiaries

38.1 Details of subsidiaries as of December 31, 2020, are as follows:

Investor	Investee	Ownership (%)	Location	Industry
Kookmin Bank	Kookmin Bank Cambodia Plc.	100.00	Cambodia	Banking and foreign exchange transaction
Kookmin Bank	Kookmin Bank (China) Ltd.	100.00	China	Banking and foreign exchange transaction
Kookmin Bank	KB Microfinance Myanmar Co., Ltd.	100.00	Myanmar	Microfinance services
Kookmin Bank	KB Bank Myanmar Co., Ltd.	100.00	Myanmar	Banking and foreign exchange transaction
Kookmin Bank	PRASAC Microfinance Institution Plc.	70.00	Cambodia	Microfinance services
Kookmin Bank	PT Bank Bukopin TBK	67.00	Indonesia	Banking and foreign exchange transaction
PT Bank Bukopin TBK	PT Bank Syariah Bukopin	92.78	Indonesia	Banking
PT Bank Bukopin TBK	PT Bukopin Finance	97.04	Indonesia	Installment financing
Kookmin Bank	Personal pension trust and 10 others [1]	0.00	Korea	Trust
Kookmin Bank	Silver Investment 2nd Inc. and 48 others [2]	0.00	Korea	Asset-backed securitization and others
Kookmin Bank	KB Wise Star Private Real Estate Feeder Fund No.1 [2]	86.00	Korea	Investment trust
Kookmin Bank	KB Haeoreum Private Securities Investment Trust No.83 [2]	99.95	Korea	Investment trust
Kookmin Bank	Kiwoom Frontier Private Placement Fund No.10 (Bond) [2]	99.92	Korea	Investment trust
Kookmin Bank	Woori Safe Plus Qualified Private Trust S-8 (Bond) [2]	99.96	Korea	Investment trust
Kookmin Bank	Mirae Asset Triumph Global Privately Placed Feeder Investment Trust No.1 [2]	99.92	Korea	Investment trust
Mirae Asset Triumph Global Privately Placed Feeder Investment Trust No.1	Mirae Asset Triumph Global Privately Placed Master Investment Trust No.1	100.00	Korea	Investment trust
Mirae Asset Triumph Global Privately Placed Feeder Investment Trust No.1	Mirae Asset Triumph Global Privately Placed Master Investment Trust No.2	100.00	Korea	Investment trust
Kookmin Bank	NH-Amundi Global Private Securities Investment Trust No.1 (BOND) [2]	99.86	Korea	Investment trust
Kookmin Bank	Meritz Private Real Estate Fund No.9-2 [2]	99.98	Korea	Investment trust
Kookmin Bank	AIP US Red Private Real Estate Trust No.10 [2]	99.97	Korea	Investment trust
Kookmin Bank	KB KBSTAR 3-Year Futures Inverse Securities ETF (Debt-Derivative) [2]	95.09	Korea	Investment trust
Kookmin Bank	Samsung KODEX 10Y F-LKTB Inverse ETF [2]	98.77	Korea	Investment trust

Kookmin Bank	KB Core Blind Private Estate Fund No.1 [2]	90.09	Korea	Investment trust
KB Core Blind Private Estate Fund No.1	KB Wise Star Private Real Estate Feeder Fund No.3 [2]	46.65	Korea	Investment trust
Kookmin Bank	KB Global Private Real Estate Debt Fund No.3 (USD) [2]	99.50	Korea	Investment trust
Kookmin Bank	UBS Hana Professional Investor Private Investment Trust No.1 (Bond) [2]	99.90	Korea	Investment trust
Kookmin Bank	Mirae Asset Triumph Privately Placed Investment Trust No.7 [2]	98.50	Korea	Investment trust
Kookmin Bank	Samsung Credit Value Plus Private Investment Trust (Bond) [2]	99.50	Korea	Investment trust
Kookmin Bank	KB Emerging Markets Dept Private Securities Fund(USD)(Bond) [2]	99.83	Korea	Investment trust
Kookmin Bank	Samsung SRA Private Real Estate Investment Trust No.28D [2]	99.50	Korea	Investment trust
Kookmin Bank	KIM Basic Private Investment Trust No.102 (Bond) [2]	99.90	Korea	Investment trust
Kookmin Bank	KB Korea Short Term Premium Private Securities No.16(USD)(Bond)	85.71	Korea	Investment trust

[1] The Group controls the trust because it has power to determine the management performance of the trust and is exposed to variable returns that absorb losses through the guarantees of payment of principal, or payment of principal and fixed rate of return.
[2] The Group controls these investees because it is significantly exposed to variable returns from the investees' performance and has ability to affect those returns through its power.

The Group holds more than a majority of the ownership interests of Koratevien Specialist Private Equity Fund No.1 and 2 other investment trusts but does not have the power over relevant activities in accordance with agreements with trust and other shareholders, therefore these entities are not consolidated.

38.2 The condensed financial information of major subsidiaries as of December 31, 2020 and 2019, and for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**			**2020**	
	Assets	**Liabilities**	**Equity**	**Operating revenue**	**Profit (loss) for the period**
Kookmin Bank Int`l Ltd.(London) *	-	-	-	-	(4,587)
Kookmin Bank Cambodia Plc.	385,974	287,936	98,038	21,841	5,499
Kookmin Bank (China) Ltd.	3,323,048	2,874,258	448,790	167,781	13,967
KB Microfinance Myanmar Co., Ltd.	36,112	13,004	23,108	7,351	388
PRASAC Microfinance Institution Plc.	3,914,890	3,376,992	537,898	588,359	118,339
PT Bank Bukopin TBK	5,841,168	5,530,648	310,520	106,358	(43,402)
KB Bank Myanmar Co., Ltd.	220,105	2,505	217,600	-	-
Personal pension trust and 10 others	4,483,007	4,365,699	117,308	138,481	2,841

* Liquidated during the year ended December 31, 2020.

(In millions of Korean won)	**December 31, 2019**			**2019**	
	Assets	**Liabilities**	**Equity**	**Operating revenue**	**Profit (loss) for the period**
Kookmin Bank Int'l Ltd. (London)	37,404	887	36,517	558	293
Kookmin Bank Cambodia Plc.	307,604	208,670	98,934	15,815	2,851
Kookmin Bank (China) Ltd.	3,032,642	2,599,516	433,126	135,117	12,462
KB Microfinance Myanmar Co., Ltd.	24,188	2,559	21,629	4,349	(149)
Personal pension trust and 10 others	4,413,755	4,299,288	114,467	141,162	3,515

38.3 The Characteristics of Risks Associated with Consolidated Structured Entities

The terms of contractual arrangements to provide financial support to consolidated structured entities are as follows:

38.3.1 The Bank provides the capital commitments of ₩ 172,000 million to KB Wise Star Private Real Estate Feeder Fund No.1, of which ₩ 817 million has not been executed, and of ₩ 54,389 million to Meritz Private Real Estate Fund No.9-2, of which ₩ 12,319 million has not been executed, and of ₩ 100,000 million to KB Core Blind Private Estate Fund No.1, of which ₩ 175 million has not been executed.

38.3.2 The Bank provides purchase commitment and credit line to structured entities that are subsidiaries. The purchase commitment guarantees that the Bank will purchase and pay any remaining commercial paper securities issued by structured entities. The credit line agreement requires the Bank to provide loans under certain conditions if there is a reason for suspension of issuance of commercial paper securities or if structured entities become insolvency due to other reasons.

(In millions of Korean won)	**December 31, 2020**
Silver Investment 2nd Inc.	50,000
KBM the 1st L.L.C.	35,285
KLD the 1st L.L.C.	21,700
LOG the 3rd L.L.C.	24,300

KBL Incheon 1st L.L.C.	101,000
KB DTower 1st L.L.C.	50,291
KB Display 1st L.L.C.	100,440
KB Firstpark L.L.C.	33,650
KB Alminium 1st L.L.C.	50,254
KB INO 2nd L.L.C.	30,152
KBH the 5th L.L.C.	25,142
KB Happy 1st L.L.C.	50,162
KL Industrial 2nd L.L.C.	20,200
KB Socio the 1st L.L.C.	30,229
KB Industry the 1st L.L.C.	20,197
KBST the 1st L.L.C.	30,104
KB Geumjeong Hill L.L.C.	61,600
KBH the 4th L.L.C.	24,200
Great Forest the 1st L.L.C.	22,188
KBC the 3rd L.L.C.	35,095
KB Future the 1st L.L.C.	30,220
KBH the 6th L.L.C.	50,078
Beomuh Landmark the 2nd L.L.C.	58,496
KB Industry 2nd L.L.C.	20,200
KB Firstville the 1st L.L.C.	15,100
KB Handok the 1st L.L.C.	30,079
KB Heracles the 1st L.L.C.	25,162
SLT Gamsam Co., Ltd.	16,900
K Plus the 1st L.L.C.	200,226
KB Hwaseong the 1st L.L.C.	21,100
KB Livv H 1st L.L.C.	30,053
KB Beomcheon Land 1st L.L.C.	28,400
KB Eagles 1st Co., Ltd.	30,052
Livv H 1st L.L.C.	50,118
KB Cheongla Hill Co., Ltd.	60,143
KB Livv I 1st Co., Ltd.	50,126
KB Manchon Harrington Co., Ltd.	21,098
KB Penta Co., Ltd.	17,689
KB Eagles 2nd Co., Ltd.	50,121
KB Dongin Co., Ltd.	20,056
KBH Steal Co., Ltd.	150,159
Ryan Mobility 1st L.L.C.	50,103
KB Great Bear 1st L.L.C.	90,183
KB Chemical 1st Co., Ltd.	50,107
KB Eugene 1st Co., Ltd.	10,055

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

38.4 Changes in Subsidiaries

PRASAC Microfinance Institution Plc. and 28 other subsidiaries were newly included in the scope of consolidation, and Kookmin Bank Int'l Ltd. (London) and 9 other subsidiaries were excluded from the scope of consolidation for the year ended December 31, 2020.

38.5 Net Cash Flow from Changes in Subsidiaries

The net cash outflows arising from acquisition of subsidiaries and disposal of subsidiaries are amounting to ₩384,772 million and ₩3,849 million for the year ended December 31, 2020, respectively.

39. Unconsolidated Structured Entity

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

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

39.2 Details of scale of unconsolidated structured entities and nature of the risks associated with the Group's interests in unconsolidated structured entities as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	December 31, 2020			
	Asset-backed securitization	**Structured financing**	**Investment funds**	**Total**
Total assets of unconsolidated structured entities	83,411,026	36,339,952	79,115,376	198,866,354
Carrying amount in the financial statements				
Assets				
Financial assets at fair value through profit or loss	260,131	59,648	2,521,607	2,841,386
Derivative financial assets	1,579	-	-	1,579
Loans measured at amortized cost	105,096	2,727,511	-	2,832,607
Financial investments	7,180,970	-	-	7,180,970
Investments in associates	-	-	326,883	326,883
Other assets	-	545	2	547
	7,547,776	2,787,704	2,848,492	13,183,972
Liabilities				
Deposits	344,221	612,022	57,277	1,013,520
Derivative financial liabilities	1,307	-	-	1,307
Other liabilities	1,997	7,457	5	9,459
	347,525	619,479	57,282	1,024,286
Maximum exposure				
Assets held *	7,547,776	2,787,704	2,848,492	13,183,972
Purchase and investment commitments	-	-	4,248,322	4,248,322
Acceptances and guarantees and unused line of credit	3,597,517	1,691,150	-	5,288,667
	11,145,293	4,478,854	7,096,814	22,720,961
Methods of determining the maximum exposure	Providing lines of credit / Purchase commitments/ Acceptances and guarantees and loan commitments	Loan commitments / Investment commitments / Purchase commitments and acceptances and guarantees	Investment commitments	

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

* Maximum exposure includes the asset amounts, after deducting loss (provision for credit losses, impairment losses and others), recognized in the consolidated financial statements of the Group.

40. Lease

40.1 The Group as a Lessee

40.1.1 Amounts recognized in the consolidated statements of financial position related to lease as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Right-of-use property and equipment *		
Real estate	391,567	341,288
Vehicles	9,747	8,207
Others	14,835	15,319
	416,149	364,814
Right-of-use intangible assets *	4,617	9,639
	420,766	374,453
Lease liabilities *	380,629	344,417

* Included in property and equipment, intangible assets and other liabilities.

40.1.2 Amounts recognized in the consolidated statements of comprehensive income related to lease for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**	**2019**
Depreciation and amortization of right-of-use assets		
Real estate	196,479	197,909
Vehicles	10,157	13,684
Others	8,570	6,972
Intangible asset	5,022	6,519
	220,228	225,084
Interest expenses on the lease liabilities	8,298	7,645
Expense relating to short-term lease	3,077	1,996
Expense relating to leases of low-value assets that are not short-term lease	2,325	1,034

Total cash outflow for lease for the years ended December 31, 2020 and 2019 was ₩ 165,287 million and ₩ 167,442 million, respectively.

40.2 The Group as an Operating Lessor

The future minimum lease receipts arising from the non-cancellable lease contracts as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**December 31, 2020**	**December 31, 2019**
Up to 1 year	20,057	23,796
1-5 years	43,404	41,193
Over 5 years	1,060	4,366
	64,521	69,355

41. Related Party Transactions

According to Korean IFRS No.1024, the Group includes the Parent, the Parent's subsidiaries, associates, associates of the Parent's subsidiaries, key management (including family members), and post-employment benefit plans of the Group and its related party companies in the scope of related parties. The Group discloses balances (receivables and payables) and other amounts arising from transactions with related parties in the notes to the consolidated financial statements. Refer to Note 13 for details of investments in associates.

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

41.1 Profit or loss arising from transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)		2020	2019
Parent			
KB Financial Group Inc.	Fee and commission income	7,183	5,355
	Other non-operating income	1,057	932
	Interest expense	410	1,574
	Fee and commission expense	-	1
	Other operating expense	190	69
	General and administrative expenses	925	841
Parent's subsidiaries			
KB Securities Co., Ltd.	Interest income	2,054	1,325
	Fee and commission income	19,298	14,298
	Gains on financial instruments at fair value through profit or loss	43,739	39,373
	Reversal of credit losses	-	6
	Other non-operating income	10,188	8,849
	Interest expense	2,874	6,307
	Fee and commission expense	666	726
	Losses on financial instruments at fair value through profit or loss	42,394	13,616
	Other operating expense	-	134
	Provision for credit losses	92	-
KB Asset Management Co., Ltd.	Fee and commission income	1,465	1,201
	Other non-operating income	1	4
	Interest expense	59	90
	Fee and commission expense	1,571	986
	Losses on financial instruments at fair value through profit or loss	373	-
	Other operating expense	-	15
	General and administrative expenses	500	500
KB Real Estate Trust Co., Ltd.	Fee and commission income	232	211
	Other non-operating income	38	45
	Interest expense	207	328
	Fee and commission expense	2,406	1,899
KB Investment Co., Ltd.	Fee and commission income	48	42

	Interest expense	443	1,019
KB Credit Information Co., Ltd.	Fee and commission income	69	64
	Other non-operating income	216	232
	Interest expense	104	134
	Fee and commission expense	21,898	20,508
KB Data System Co., Ltd.	Fee and commission income	270	225
	Other non-operating income	149	92
	Interest expense	242	309
	General and administrative expenses	54,869	50,074
KB Life Insurance Co., Ltd.	Fee and commission income	16,534	14,075
	Gains on financial instruments at fair value through profit or loss	4,292	14,612
	Other non-operating income	2,293	2,898
	Interest expense	795	1,062
	Fee and commission expense	1	8
	Losses on financial instruments at fair value through profit or loss	2,975	2,853
	Other operating expense	-	11
	Other non-operating expense	2	-
	General and administrative expenses	950	1,286
KB Kookmin Card Co., Ltd.	Interest income	4,441	4,054
	Fee and commission income	190,987	211,806
	Gains on financial instruments at fair value through profit or loss	1,262	2,348
	Reversal of credit losses	-	54
	Other non-operating income	1,645	1,314
	Interest expense	1,003	1,073
	Fee and commission expense	1,255	1,732
	Losses on financial instruments at fair value through profit or loss	143	38
	Provision for credit losses	245	-
	General and administrative expenses	391	153
KB Savings Bank Co., Ltd.	Fee and commission income	1,125	736
	Other non-operating income	77	50
	Interest expense	11	6
	Fee and commission expense	-	17
KB Capital Co., Ltd.	Interest income	1,951	2,907
	Fee and commission income	2,767	2,968
	Other non-operating income	191	167
	Interest expense	98	670
	Fee and commission expense	43	44
	Provision for credit losses	138	46
KB Insurance Co., Ltd.	Interest income	67	79
	Fee and commission income	24,467	23,458
	Gains on financial instruments at fair value through profit or loss	33,319	74,576
	Other non-operating income	1,287	361
	Interest expense	1,676	1,806

	Fee and commission expense	1,628	1
	Losses on financial instruments at fair value through profit or loss	37,871	7,468
	Other operating expense	1	-
	Provision for credit losses	5	6
	General and administrative expenses	10,283	15,576
Prudential Life Insurance Company of Korea Ltd.	Fee and commission income	20	-
	Interest expense	1,165	-
Hanbando BTL Private Special Asset Fund	Fee and commission income	132	149
KB Senior Loan Private Fund No.1	Fee and commission income	3	8
KB AMP Infra Private Special Asset Fund No.1(FoFs)	Fee and commission income	11	11
KB Onkookmin 2025 TDF Fund (FoFs) *	Fee and commission income	-	2
KB Onkookmin 2030 TDF Fund (FoFs) *	Fee and commission income	-	2
KB Onkookmin 2045 TDF Fund (FoFs) *	Fee and commission income	-	1
KB Muni bond Private Securities Fund No.1 (USD)	Fee and commission income	12	11
KB Global Private Real Estate Debt Fund No.1	Fee and commission income	10	10
KB NA Compass Energy Private Special Asset Fund	Fee and commission income	8	8
KB Star Office Private Real Estate Investment Trust No.3	Interest income	-	619
	Interest expense	55	110
KB Star Office Private Real Estate Investment Trust No.4	Interest income	760	760
	Fee and commission income	36	19
	Interest expense	18	33
	Provision for credit losses	1	-
KB Global Core Bond Securities Feeder Fund(Bond)	Fee and commission income	87	23
	Gains on financial instruments at fair value through profit or loss	-	1,276
	Losses on financial instruments at fair value through profit or loss	-	28
KB Onkookmin Life Income 20 Feeder Fund (FoFs) C-F	Losses on financial instruments at fair value through profit or loss	102	-
KB Onkookmin Life Income 40 Feeder Fund (FoFs) C-F	Losses on financial instruments at fair value through profit or loss	190	-
KB AU Infigen Energy Private Special Asset Fund *	Fee and commission income	3	4
KB AU Infigen Energy Private Special Asset Fund No.2 *	Fee and commission income	5	6
KB New Renewable Energy Private Special Asset Fund No.1	Fee and commission income	6	-
KB NA Loan Specialty Private Real Estate Investment Trust No.1	Fee and commission income	3	1
	Gains on financial instruments at fair value through profit or loss	1,814	4
	Losses on financial instruments at fair value through profit or loss	3,248	335
KB NA Loan Specialty Private Real Estate Investment Trust No.3	Fee and commission income	10	1
	Gains on financial instruments at	2,699	209

	fair value through profit or loss		
	Losses on financial instruments at fair value through profit or loss	8,044	14
KB Europe Renewable Specialized Private Equity Private Asset Investment Trust No.2	Fee and commission income	2	-
KB Korea Short Term Premium Private Securities No.10(USD)(Bond) *	Fee and commission income	6	1
KB Korea Short Term Premium Private Securities No.15(USD)(Bond)	Fee and commission income	1	-
	Gains on financial instruments at fair value through profit or loss	1,452	-
KB Korea Short Term Premium Private Securities No.17(USD)(Bond)	Fee and commission income	2	-
	Gains on financial instruments at fair value through profit or loss	3,268	-
KB BMO Senior Loan Private Special Asset Fund No.1(FOF)	Fee and commission income	6	-
	Losses on financial instruments at fair value through profit or loss	4,329	-
KB BMO Senior Loan Private Special Asset Fund No.2(FOF)	Fee and commission income	5	-
KB Wise Star Private Real Estate Feeder Fund No.12 *	Interest income	493	-
	Fee and commission income	1	-
KB Korea Short Term Premium Private Securities No.4(USD)(Bond) *	Fee and commission income	-	2
	Losses on financial instruments at fair value through profit or loss	-	2,931
KB Korea Short Term Premium Private Securities No.5(USD)(Bond) *	Fee and commission income	-	9
	Gains on financial instruments at fair value through profit or loss	-	1,347
	Losses on financial instruments at fair value through profit or loss	-	12,104
Associates			
Korea Credit Bureau Co., Ltd.	Fee and commission income	4	-
	Interest expense	7	21
	Fee and commission expense	1,954	1,601
	Other operating expense	1	-
Incheon Bridge Co., Ltd.	Interest income	4,345	8,612
	Fee and commission income	23	-
	Gains on financial instruments at fair value through profit or loss	899	4,975
	Reversal of credit losses	-	5
	Interest expense	334	483
	Fee and commission expense	6	7
	Provision for credit losses	471	-
Dae-A Leisure Co., Ltd.	Interest expense	7	8
Skydigital INC.	Fee and commission income	4	-
KB12-1 Venture Investment Partnership *	Interest expense	13	3
KB High-Tech Company Investment Fund	Interest expense	16	26
Aju Good Technology Venture Fund	Interest expense	18	22
KB-KDBC Pre-IPO New Technology Business Investment Fund	Interest expense	23	58

KB Digital Innovation & Growth New Technology Business Investment Fund	Interest expense	4	8
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Interest expense	40	89
KB Global Platform Fund	Interest expense	52	193
WJ Private Equity Fund No.1	Fee and commission income	5	-
Associate of Parent			
KB Star Office Private Real Estate Investment Trust No.1	Interest expense	61	208
Associates of Parent's subsidiaries			
SY Auto Capital Co., Ltd.	Interest income	3	191
	Fee and commission income	4	-
	Reversal of credit losses	17	13
	Interest expense	2	1
RAND Bio Science Co., Ltd.	Interest expense	11	5
Wise Asset Management Co., Ltd.	Interest expense	-	2
Food Factory Co., Ltd.	Interest income	52	41
	Interest expense	12	-
	Fee and commission expense	4	12
	Provision for credit losses	8	1
Acts Co., Ltd.	Interest income	1	1
APRO Co., Ltd. *	Interest income	7	19
	Interest expense	1	4
	Fee and commission expense	-	17
	Provision for credit losses	1	-
Rainist Co., Ltd.	Fee and commission income	36	39
Stratio, Inc.	Interest expense	-	1
UPRISE, Inc.	Interest income	2	-
	Provision for credit losses	1	-
CellinCells Co., Ltd.	Interest expense	4	19
COSES GT	Interest income	6	-
	Provision for credit losses	4	-
Bomapp Inc.	Interest expense	-	1
KB No.9 Special Purpose Acquisition Company *	Interest expense	-	(23)
KB No.10 Special Purpose Acquisition Company *	Interest expense	-	18
KB No.11 Special Purpose Acquisition Company *	Interest expense	-	9
KB No.17 Special Purpose Acquisition Company	Interest expense	25	28
KB No.18 Special Purpose Acquisition Company	Interest expense	31	28
KB No.19 Special Purpose Acquisition Company	Interest expense	13	8
KB No.20 Special Purpose Acquisition Company	Interest expense	25	3
Fabric Time Co., Ltd.	Fee and commission income	7	-
	Interest expense	47	-
BNF Corporation Ltd. *	Interest income	9	-
	Fee and commission income	2	-

	Provision for credit losses	8	1
S&E BIO	Interest expense	1	-
Contents First	Interest expense	14	-
December & Company Inc.	Interest expense	1	-
GENINUS Inc.	Interest expense	70	-
KB Pre IPO Secondary Venture Fund No.1	Interest expense	3	7
JLK Inspection Co., Ltd. *	Interest expense	-	1
Spark Biopharma Inc. *	Interest expense	-	59
NEXELON Inc. *	Interest expense	-	2
Others			
Retirement pension	Fee and commission income	1,077	939
	Interest expense	3	4

* Excluded from the Group's related party as of December 31, 2020.

41.2 Details of receivables and payables, and related allowances for credit losses arising from transactions with related parties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)		**December 31, 2020**	**December 31, 2019**
Parent			
KB Financial Group Inc.	Other assets	120	35
	Deposits	23,084	18,537
	Other liabilities	597,429	418,286
Parent's subsidiaries			
KB Securities Co., Ltd.	Cash and due from financial institutions	2,763	1,387
	Derivative assets	17,465	9,424
	Loans measured at amortized cost (gross amount)	97,803	65,289
	Allowances for credit losses	88	23
	Other assets	4,983	18,320
	Derivative liabilities	11,630	3,979
	Deposits	464,584	423,053
	Provisions	57	30
	Other liabilities [2]	27,906	23,330
KB Asset Management Co., Ltd.	Other assets	327	260
	Derivative liabilities	373	-
	Deposits	6,915	6,929
	Other liabilities [3]	1,310	607
KB Real Estate Trust Co., Ltd.	Other assets	3	2
	Deposits	71,261	49,708
	Other liabilities [4]	3,235	3,964
KB Investment Co., Ltd.	Other assets	-	41
	Deposits	93,970	62,686
	Other liabilities	97	53
KB Credit Information Co., Ltd.	Deposits	5,340	4,047
	Other liabilities	6,196	6,022
KB Data System Co., Ltd.	Other assets	390	886
	Deposits	17,561	21,642
	Other liabilities	4,539	5,372
KB Life Insurance Co., Ltd.	Derivative assets	90	-
	Other assets	1,436	3,804
	Derivative liabilities	2,682	1,532
	Deposits	2,085	571
	Borrowings	-	25,000
	Other liabilities [5]	19,797	22,771
KB Kookmin Card Co., Ltd.	Derivative assets	418	676
	Loans measured at amortized cost (gross amount)	39,930	19,683
	Allowances for credit losses	30	8
	Other assets	14,473	30,938
	Deposits	92,490	74,800
	Provisions	459	238
	Other liabilities	57,810	59,277
KB Savings Bank Co., Ltd.	Other assets	-	144

	Other liabilities	1,088	389
KB Capital Co., Ltd.	Loans measured at amortized cost (gross amount)	54,400	64,489
	Allowances for credit losses	277	269
	Other assets	324	1,804
	Deposits	190,331	126,878
	Provisions	143	12
	Other liabilities	2,521	1,337
KB Insurance Co., Ltd.	Derivative assets	4,832	15,612
	Other assets	14,354	8,549
	Derivative liabilities	29,491	6,453
	Deposits	3,365	5,485
	Borrowings	-	20,000
	Debentures	29,994	29,991
	Provisions	11	6
	Other liabilities [6]	17,937	4,794
Prudential Life Insurance Company of Korea Ltd.	Deposits	303	-
	Debentures	30,000	-
	Other liabilities	32,537	-
Hanbando BTL Private Special Asset Fund	Other assets	32	36
KB Senior Loan Private Fund No.1	Other assets	1	1
KB AMP Infra Private Special Asset Fund No.1(FoFs)	Other assets	1	1
KB KBSTAR Mid-Long Term KTB Active ETF (Bond) [1]	Other assets	-	500
KB Onkookmin 2030 TDF Fund (FoFs) [1]	Other assets	-	1
KB Muni bond Private Securities Fund No.1 (USD)	Other assets	2	2
KB Global Private Real Estate Debt Fund No.1	Other assets	3	2
KB NA Compass Energy Private Special Asset Fund	Other assets	1	1
KB Star Office Private Real Estate Investment Trust No.3	Deposits	171	7,364
	Other liabilities	6	58
KB Star Office Private Real Estate Investment Trust No.4	Loans measured at amortized cost (gross amount)	20,000	20,000
	Allowances for credit losses	2	-
	Other assets	9	13
	Deposits	532	1,983
	Other liabilities	1	16
KB Global Core Bond Securities Feeder Fund(Bond)	Other assets	7	2
KB Onkookmin Life Income 20 Feeder Fund (FoFs) C-F	Derivative liabilities	39	-
KB Onkookmin Life Income 40 Feeder Fund (FoFs) C-F	Derivative liabilities	44	-
KB AU Infigen Energy Private Special Asset Fund [1]	Other assets	-	1

KB AU Infigen Energy Private Special Asset Fund No.2 [1]	Other assets	-	1
KB New Renewable Energy Private Special Asset Fund No.1	Other assets	2	-
KB NA Loan Specialty Private Real Estate Investment Trust No.1	Other assets	1	1
	Derivative liabilities	3,248	335
KB NA Loan Specialty Private Real Estate Investment Trust No.3	Other assets	2	1
	Derivative liabilities	8,044	6
KB Europe Renewable Specialized Private Equity Private Asset Investment Trust No.2	Other assets	1	-
KB Korea Short Term Premium Private Securities No.10(USD)(Bond) [1]	Other assets	-	1
KB Korea Short Term Premium Private Securities No.15(USD)(Bond)	Derivative assets	1,452	-
	Other assets	1	-
KB Korea Short Term Premium Private Securities No.17(USD)(Bond)	Derivative assets	3,268	-
	Other assets	2	-
KB BMO Senior Loan Private Special Asset Fund No.1(FOF)	Other assets	2	-
	Derivative liabilities	4,327	-
KB BMO Senior Loan Private Special Asset Fund No.2(FOF)	Other assets	2	-
Associates			
Korea Credit Bureau Co., Ltd.	Deposits	19,982	17,966
	Other liabilities	5	-
Incheon Bridge Co., Ltd.	Financial assets at fair value through profit or loss	38,756	37,857
	Loans measured at amortized cost (gross amount)	133,000	147,700
	Allowances for credit losses	202	11
	Other assets	545	520
	Deposits	39,520	45,447
	Provisions	286	6
	Other liabilities	199	346
Jungdo Co., Ltd.	Deposits	4	4
Dae-A Leisure Co., Ltd.	Deposits	636	753
	Other liabilities	21	14
Computerlife Co., Ltd.	Deposits	-	1
Skydigital INC.	Deposits	15	25
Jo Yang Industrial Co., Ltd.	Deposits	2	2
NEOMIO CORP.	Deposits	535	-
KB12-1 Venture Investment Partnership [1]	Deposits	-	440
KB High-Tech Company Investment Fund	Deposits	12,695	11,755
	Other liabilities	1	2
Aju Good Technology Venture Fund	Deposits	3,093	5,456
	Other liabilities	1	2
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	923	7,054
	Other liabilities	-	4

KB Digital Innovation & Growth New Technology Business Investment Fund	Deposits	1,801	12
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Deposits	8,097	13,118
	Other liabilities	1	4
KB Global Platform Fund	Deposits	20,197	17,928
	Other liabilities	2	9
WJ Private Equity Fund No.1	Other assets	2	-
	Deposits	349	-
Associate of Parent			
KB Star Office Private Real Estate Investment Trust No.1	Deposits	4,255	8,293
	Other liabilities	24	66
Associates of Parent's subsidiaries			
SY Auto Capital Co., Ltd.	Loans measured at amortized cost (gross amount)	-	1,900
	Allowances for credit losses	-	4
	Deposits	6	8
	Provisions	-	13
	Other liabilities	-	2
RAND Bio Science Co., Ltd.	Deposits	693	4,452
Wise Asset Management Co., Ltd.	Deposits	-	21
Food Factory Co., Ltd.	Loans measured at amortized cost (gross amount)	3,193	1,987
	Allowances for credit losses	8	2
	Other assets	3	1
	Deposits	1,555	1,073
	Provisions	2	-
	Other liabilities	9	1
Acts Co., Ltd.	Deposits	18	1
Paycoms Co., Ltd.	Deposits	1	1
Big Dipper Co., Ltd.	Deposits	1	6
APRO Co., Ltd. [1]	Loans measured at amortized cost (gross amount)	-	2,016
	Deposits	-	3,201
	Other liabilities	-	1
Hasys.	Deposits	1	-
Stratio, Inc.	Deposits	13	726
UPRISE, Inc.	Loans measured at amortized cost (gross amount)	500	-
	Allowances for credit losses	1	-
	Deposits	11	-
CellinCells Co., Ltd.	Deposits	260	1,545
	Other liabilities	-	1
COSES GT	Loans measured at amortized cost (gross amount)	500	-
	Allowances for credit losses	4	-
	Other assets	1	-
	Deposits	292	-
KB No.17 Special Purpose Acquisition Company	Deposits	1,711	1,742
	Other liabilities	23	27

KB No.18 Special Purpose Acquisition Company	Deposits	2,101	2,140
	Other liabilities	19	28
KB No.19 Special Purpose Acquisition Company	Deposits	1,053	1,093
	Other liabilities	3	7
KB No.20 Special Purpose Acquisition Company	Deposits	1,716	1,984
	Other liabilities	1	3
Fabric Time Co., Ltd.	Deposits	3,947	395
	Other liabilities	40	2
BNF Corporation Ltd. [1]	Loans measured at amortized cost (gross amount)	-	1,400
	Other assets	-	2
	Deposits	-	947
	Other liabilities	-	6
GOMI CORPORATION	Deposits	37	-
S&E BIO	Deposits	1,142	-
4N Inc.	Deposits	76	-
Contents First	Deposits	1,823	-
	Other liabilities	7	-
December & Company Inc.	Deposits	1	-
GENINUS Inc.	Deposits	13,630	-
	Other liabilities	15	-
KB IGen Private Equity Fund No.1 [1]	Deposits	-	147
KB Pre IPO Secondary Venture Fund No.1	Deposits	629	2,955
	Other liabilities	-	1
Key management	Loans measured at amortized cost (gross amount)	4,599	3,423
	Allowances for credit losses	2	1
	Other assets	4	3
	Deposits	11,023	10,104
	Other liabilities	284	226
Others			
Retirement pension	Other assets	295	366
	Other liabilities	10,600	17,620

[1] Excluded from the Group’s related party as of December 31, 2020.

[2] Non-controlling interests classified as liabilities include ₩ 2,897 million and ₩ 3,602 million as of December 31, 2020 and 2019, respectively.

[3] Non-controlling interests classified as liabilities include ₩ 994 million and ₩ 325 million as of December 31, 2020 and 2019, respectively.

[4] Non-controlling interests classified as liabilities include ₩ 2,888 million and ₩ 3,596 million as of December 31, 2020 and 2019, respectively.

[5] Non-controlling interests classified as liabilities include ₩ 19,411 million and ₩ 19,604 million as of December 31, 2020 and 2019, respectively.

[6] Non-controlling interests classified as liabilities include ₩ 4,969 million and ₩ 1,624 million as of December 31, 2020 and 2019, respectively.

41.3 Right-of-use assets and lease liabilities with related parties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)		**December 31, 2020**	**December 31, 2019**
Parent's subsidiaries			
KB Securities Co., Ltd.	Right-of-use assets	30,567	13,863
	Lease liabilities	36,118	16,658
KB Kookmin Card Co., Ltd.	Right-of-use assets	77	168
	Lease liabilities	48	28
KB Capital Co., Ltd.	Right-of-use assets	-	9
	Lease liabilities	-	23
KB Insurance Co., Ltd.	Right-of-use assets	2,848	5,693
	Lease liabilities	3,152	5,751

41.4 Notional amount of derivative assets and liabilities arising from transactions with related parties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)		**December 31, 2020**	**December 31, 2019**
Parent's subsidiaries			
KB Securities Co., Ltd.	Notional amount of derivative financial instruments	981,259	651,372
KB Asset Management Co., Ltd.	Notional amount of derivative financial instruments	22,297	-
KB Life Insurance Co., Ltd.	Notional amount of derivative financial instruments	54,892	104,058
KB Kookmin Card Co., Ltd.	Notional amount of derivative financial instruments	30,000	44,472
KB Insurance Co., Ltd.	Notional amount of derivative financial instruments	650,108	799,567
KB Onkookmin Life Income 20 Feeder Fund (FoFs) C-F	Notional amount of derivative financial instruments	2,305	-
KB Onkookmin Life Income 40 Feeder Fund (FoFs) C-F	Notional amount of derivative financial instruments	2,617	-
KB NA Loan Specialty Private Real Estate Investment Trust No.1	Notional amount of derivative financial instruments	27,200	29,153
KB NA Loan Specialty Private Real Estate Investment Trust No.3	Notional amount of derivative financial instruments	89,760	95,519
KB Korea Short Term Premium Private Securities No.15(USD)(Bond)	Notional amount of derivative financial instruments	22,032	-
KB Korea Short Term Premium Private Securities No.17(USD)(Bond)	Notional amount of derivative financial instruments	77,030	-
KB BMO Senior Loan Private Special Asset Fund No.1(FOF)	Notional amount of derivative financial instruments	50,798	-

41.5 Significant lending transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020 [1]				
	Beginning	Loans	Collections	Others	Ending
Parent's subsidiaries					
KB Securities Co., Ltd.	65,289	1,164,587	1,129,114	(2,959)	97,803
KB Kookmin Card Co., Ltd.	19,683	181,249	160,164	(838)	39,930
KB Capital Co., Ltd.	64,489	62,423	69,139	(3,373)	54,400
KB Star Office Private Real Estate Investment Trust No.4	20,000	-	-	-	20,000
KB Wise Star Private Real Estate Feeder Fund No.12 [2]	-	34,000	-	(34,000)	-
Associates					
Incheon Bridge Co., Ltd.	185,557	-	14,700	899	171,756
Carlife Co., Ltd.	-	22	22	-	-
Associates of Parent's subsidiaries					
SY Auto Capital Co., Ltd.	1,900	11,250	13,150	-	-
Food Factory Co., Ltd.	1,987	1,225	20	1	3,193
APRO Co., Ltd. [2]	2,016	2,000	-	(4,016)	-
BNF Corporation Ltd. [2]	1,400	1,000	-	(2,400)	-
Acts Co., Ltd.	-	74	74	-	-
UPRISE, Inc.	-	500	-	-	500
COSES GT	-	500	-	-	500
Key management [3]	3,423	3,276	3,422	1,322	4,599

(In millions of Korean won)	2019 [1]				
	Beginning	Loans	Collections	Others	Ending
Parent's subsidiaries					
KB Securities Co., Ltd.	25,617	892,470	853,096	298	65,289
KB Kookmin Card Co., Ltd.	3,354	268,897	252,639	71	19,683
KB Capital Co., Ltd.	54,787	7,624	-	2,078	64,489
KB Star Office Private Real Estate Investment Trust No.3	24,000	-	24,000	-	-
KB Star Office Private Real Estate Investment Trust No.4	20,000	-	-	-	20,000
Associates					
Incheon Bridge Co., Ltd.	191,082	-	10,500	4,975	185,557
Associates of Parent's subsidiaries					
SY Auto Capital Co., Ltd.	8,300	27,998	34,398	-	1,900
Food Factory Co., Ltd.	200	1,800	20	7	1,987
APRO Co., Ltd. [2]	-	2,000	-	16	2,016
BNF Corporation Ltd. [2]	-	-	-	1,400	1,400
Acts Co., Ltd.	-	68	68	-	-
Key management [3]	2,218	638	555	1,122	3,423

[1] Transactions between related parties, such as settlements arising from operating activities and daylight overdraft to be repaid on the day of handling, are excluded.
[2] Excluded from the Group's related party as of December 31, 2020.
[3] Includes loan transactions that occurred before they became related parties.

41.6 Significant borrowing transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)		2020				
		Beginning	**Borrowing**	**Repayment**	**Others [1]**	**Ending**
Parent						
KB Financial Group Inc.	Deposits	18,537	-	-	4,547	23,084
Parent's subsidiaries						
KB Securities Co., Ltd.	Deposits	423,053	75,000	97,720	64,251	464,584
KB Asset Management Co., Ltd.	Deposits	6,929	-	-	(14)	6,915
KB Real Estate Trust Co., Ltd.	Deposits	49,708	-	-	21,553	71,261
KB Investment Co., Ltd.	Deposits	62,686	258,000	230,000	3,284	93,970
KB Credit Information Co., Ltd.	Deposits	4,047	647	410	1,056	5,340
KB Data System Co., Ltd.	Deposits	21,642	11,500	16,500	919	17,561
KB Life Insurance Co., Ltd.	Deposits	571	-	-	1,514	2,085
	Borrowings	25,000	-	-	(25,000)	-
KB Kookmin Card Co., Ltd.	Deposits	74,800	25,500	22,000	14,190	92,490
KB Capital Co., Ltd.	Deposits	126,878	-	-	63,453	190,331
KB Insurance Co., Ltd.	Deposits	5,485	-	-	(2,120)	3,365
	Borrowings	20,000	-	-	(20,000)	-
	Debentures	29,991	-	-	3	29,994
Prudential Life Insurance	Deposits	-	-	-	303	303
Company of Korea Ltd.	Debentures	-	-	-	30,000	30,000
KB Star Office Private Real Estate Investment Trust No.3	Deposits	7,364	-	7,193	-	171
KB Star Office Private Real Estate Investment Trust No.4	Deposits	1,983	-	1,451	-	532
Associates						
Korea Credit Bureau Co., Ltd.	Deposits	17,966	1,000	-	1,016	19,982
Incheon Bridge Co., Ltd.	Deposits	45,447	20,000	21,260	(4,667)	39,520
Jungdo Co., Ltd.	Deposits	4	-	-	-	4
Dae-A Leisure Co., Ltd.	Deposits	753	-	-	(117)	636
Computerlife Co., Ltd.	Deposits	1	-	-	(1)	-
Skydigital INC.	Deposits	25	-	-	(10)	15
Jo Yang Industrial Co., Ltd.	Deposits	2	-	-	-	2
KB12-1 Venture Investment Partnership [2]	Deposits	440	-	-	(440)	-
KB High-Tech Company Investment Fund	Deposits	11,755	8,000	8,000	940	12,695
Aju Good Technology Venture Fund	Deposits	5,456	1,442	-	(3,805)	3,093
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	7,054	1,500	6,500	(1,131)	923
KB Digital Innovation &	Deposits	12	-	-	1,789	1,801

Growth New Technology Business Investment Fund						
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Deposits	13,118	-	-	(5,021)	8,097
KB Global Platform Fund	Deposits	17,928	-	-	2,269	20,197
NEOMIO CORP.	Deposits	-	-	-	535	535
WJ Private Equity Fund No.1	Deposits	-	-	-	349	349
Associate of Parent						
KB Star Office Private Real Estate Investment Trust No.1	Deposits	8,293	2,117	5,630	(525)	4,255
Associates of Parent's subsidiaries						
SY Auto Capital Co., Ltd.	Deposits	8	-	-	(2)	6
KB No.17 Special Purpose Acquisition Company	Deposits	1,742	1,525	1,500	(56)	1,711
KB No.18 Special Purpose Acquisition Company	Deposits	2,140	2,063	2,100	(2)	2,101
KB No.19 Special Purpose Acquisition Company	Deposits	1,093	1,000	1,000	(40)	1,053
KB No.20 Special Purpose Acquisition Company	Deposits	1,984	1,522	1,500	(290)	1,716
RAND Bio Science Co., Ltd.	Deposits	4,452	2,250	3,750	(2,259)	693
Wise Asset Management Co., Ltd.	Deposits	21	-	-	(21)	-
Food Factory Co., Ltd.	Deposits	1,073	1,503	1,003	(18)	1,555
Acts Co., Ltd.	Deposits	1	-	-	17	18
Paycoms Co., Ltd.	Deposits	1	-	-	-	1
Big Dipper Co., Ltd.	Deposits	6	-	-	(5)	1
APRO Co., Ltd. [2]	Deposits	3,201	-	-	(3,201)	-
Hasys.	Deposits	-	-	-	1	1
Stratio, Inc.	Deposits	726	-	-	(713)	13
UPRISE, Inc.	Deposits	-	-	-	11	11
CellinCells Co., Ltd.	Deposits	1,545	-	-	(1,285)	260
COSES GT	Deposits	-	-	-	292	292
Fabric Time Co., Ltd.	Deposits	395	7,002	3,801	351	3,947
BNF Corporation Ltd. [2]	Deposits	947	-	-	(947)	-
GOMI CORPORATION	Deposits	-	-	-	37	37
S&E BIO	Deposits	-	-	-	1,142	1,142
KB IGen Private Equity Fund No.1 [2]	Deposits	147	-	-	(147)	-
KB Pre IPO Secondary Venture Fund No.1	Deposits	2,955	-	-	(2,326)	629
4N Inc.	Deposits	-	-	-	76	76
Contents First	Deposits	-	4,000	3,000	823	1,823
December & Company Inc.	Deposits	-	-	-	1	1

GENINUS Inc.	Deposits	-	-	-	13,630	13,630
Key management [3]	Deposits	10,104	15,241	15,206	884	11,023

(In millions of Korean won)		2019				
		Beginning	**Borrowing**	**Repayment**	**Others [1]**	**Ending**
Parent						
KB Financial Group Inc.	Deposits	69,621	310,000	370,000	8,916	18,537
Parent's subsidiaries						
KB Asset Management Co., Ltd.	Deposits	3,284	-	-	3,645	6,929
KB Real Estate Trust Co., Ltd.	Deposits	27,321	-	-	22,387	49,708
KB Investment Co., Ltd.	Deposits	20,784	410,000	365,000	(3,098)	62,686
KB Credit Information Co., Ltd.	Deposits	4,240	1,611	1,425	(379)	4,047
KB Data System Co., Ltd.	Deposits	18,059	18,500	13,500	(1,417)	21,642
KB Life Insurance Co., Ltd.	Deposits	1,576	-	-	(1,005)	571
	Borrowings	25,000	-	-	-	25,000
KB Kookmin Card Co., Ltd.	Deposits	84,089	22,000	22,000	(9,289)	74,800
KB Capital Co., Ltd.	Deposits	64,283	-	-	62,595	126,878
KB Insurance Co., Ltd.	Deposits	5,188	-	2,441	2,738	5,485
	Borrowings	20,000	-	-	-	20,000
	Debenture	30,002	-	-	(11)	29,991
KB Securities Co., Ltd.	Deposits	334,470	96,445	75,000	67,138	423,053
KB Star Office Private Real Estate Investment Trust No.3	Deposits	5,361	2,003	-	-	7,364
KB Star Office Private Real Estate Investment Trust No.4	Deposits	1,629	354	-	-	1,983
Associates						
Korea Credit Bureau Co., Ltd.	Deposits	15,674	-	3,000	5,292	17,966
Incheon Bridge Co., Ltd.	Deposits	43,666	25,260	5,260	(18,219)	45,447
Doosung Metal Co., Ltd.	Deposits	3	-	-	(3)	-
Jungdo Co., Ltd.	Deposits	4	-	-	-	4
Dae-A Leisure Co., Ltd.	Deposits	1,229	-	-	(476)	753
Carlife Co., Ltd.	Deposits	2	-	-	(2)	-
Computerlife Co., Ltd.	Deposits	1	-	-	-	1
Skydigital INC.	Deposits	16	-	-	9	25
Jo Yang Industrial Co., Ltd.	Deposits	-	-	-	2	2
KB12-1 Venture Investment Partnership [2]	Deposits	245	-	-	195	440
KB High-Tech Company Investment Fund	Deposits	275	5,500	5,500	11,480	11,755
Aju Good Technology Venture Fund	Deposits	6,439	-	-	(983)	5,456
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	7,088	15,000	10,000	(5,034)	7,054
KB Digital Innovation &	Deposits	618	-	-	(606)	12

Growth New Technology Business Investment Fund						
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Deposits	18,813	-	-	(5,695)	13,118
KB Global Platform Fund	Deposits	-	-	-	17,928	17,928
Associate of parent						
KB Star Office Private Real Estate Investment Trust No.1	Deposits	7,946	5,018	5,072	401	8,293
Associates of parent's subsidiaries						
SY Auto Capital Co., Ltd.	Deposits	5	-	-	3	8
KB No.9 Special Purpose Acquisition Company [2]	Deposits	2,275	-	2,266	(9)	-
KB No.10 Special Purpose Acquisition Company [2]	Deposits	1,666	-	1,618	(48)	-
KB No.11 Special Purpose Acquisition Company [2]	Deposits	658	-	530	(128)	-
KB No.17 Special Purpose Acquisition Company	Deposits	-	1,500	-	242	1,742
KB No.18 Special Purpose Acquisition Company	Deposits	-	2,200	100	40	2,140
KB No.19 Special Purpose Acquisition Company	Deposits	-	1,000	-	93	1,093
KB No.20 Special Purpose Acquisition Company	Deposits	-	1,500	-	484	1,984
RAND Bio Science Co., Ltd.	Deposits	232	1,900	-	2,320	4,452
Wise Asset Management Co., Ltd.	Deposits	696	-	682	7	21
Built On Co., Ltd. [2]	Deposits	7	-	-	(7)	-
Food Factory Co., Ltd.	Deposits	68	-	-	1,005	1,073
Acts Co., Ltd.	Deposits	29	-	-	(28)	1
Paycoms Co., Ltd.	Deposits	1	-	-	-	1
Big Dipper Co., Ltd.	Deposits	182	-	-	(176)	6
Apro Co., Ltd. [2]	Deposits	2,201	-	-	1,000	3,201
Rainist Co., Ltd.		1	-	-	(1)	-
Spark Biopharma Inc. [2]	Deposits	2,630	17,000	9,000	(10,630)	-
Stratio, Inc.	Deposits	516	-	-	210	726
NEXELON Co., Ltd. [2]	Deposits	-	-	200	200	-
CellinCells Co., Ltd.	Deposits	-	-	-	1,545	1,545
KB IGen Private Equity Fund No.1 [2]	Deposits	148	-	-	(1)	147
KB Pre IPO Secondary Venture Fund No.1	Deposits	1,115	-	-	1,840	2,955
Fabric Time Co., Ltd.	Deposits	-	-	-	395	395
BNF Corporation Ltd. [2]	Deposits	-	-	-	947	947
Key management [3]	Deposits	9,771	8,724	8,232	(159)	10,104

[1] Transactions between related parties, such as settlements arising from operating activities and deposits, are expressed in net amount.
[2] Excluded from the Group's related party as of December 31, 2020.
[3] Includes borrowing transactions that occurred before they became related parties.

41.7 Significant investment and withdrawal transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**	
	Equity investments and others	**Withdrawals and others**
Parent's subsidiaries		
Hanbando BTL Private Special Asset Fund	-	24,039
Hope Sharing BTL Private Special Asset Fund	-	1,655
KB Mezzanine Private Security Investment Trust No.2 *	-	46,051
KB Intellectual Property Fund	-	180
KB Senior Loan Private Fund No.1	-	1,080
KB KBSTAR Mid-Long Term KTB Active ETF (Bond) *	-	20,402
KB Onkookmin 2030 TDF Fund (FoFs) *	-	86
KB Star Office Private Real Estate Investment Trust No.3	-	3,579
KB Star Office Private Real Estate Investment Trust No.4	-	2,101
KB Korea Short Term Premium Private Securities No.10(USD)(Bond) *	-	69,710
KB New Renewable Energy Private Special Asset Fund No.1	32,640	871
KB Mezzanine Private Securities Fund No.3	18,019	16,587
KB Wise Star Jongno Tower Real Estate Master Fund	-	367
Koratevien Specialist Private Equity Fund No.1	-	1,015
KB Europe Renewable Specialized Private Equity Private Asset Investment Trust No.2	8,675	-
KB BMO Senior Loan Private Special Asset Fund No.2(FOF)	29,015	566
KB Wise Star Private Real Estate Feeder Fund No.12 *	20,000	800
KB Korea Short Term Premium Private Securities No.15(USD)(Bond)	23,508	-
KB Korea Short Term Premium Private Securities No.17(USD)(Bond)	68,082	-
KB Sinansan Line Private Special Asset Fund(SOC)	27,857	-
Associates		
Korea Credit Bureau Co., Ltd.	-	90
Balhae Infrastructure Company	894	6,973
KB GwS Private Securities Investment Trust	-	7,453
KB12-1 Venture Investment Partnership *	-	50,642
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	-	2,584
Future Planning KB Start-up Creation Fund	-	3,200
KB High-Tech Company Investment Fund	-	13,550
Aju Good Technology Venture Fund	-	2,885
KB-KDBC Pre-IPO New Technology Business Investment Fund	-	3,200
KB-TS Technology Venture Private Equity Fund	1,200	2,940
KB Digital Innovation & Growth New Technology Business Investment Fund	1,125	-
KB Intellectual Property Fund No.2	6,000	-

KB Digital Innovation Investment Fund Limited Partnership	2,800	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	4,000	1,600
KB SPROTT Renewable Private Equity Fund No.1	3,286	-
KB Global Platform Fund	9,000	-
KB-UTC Inno-Tech Venture Fund	11,310	-
WJ Private Equity Fund No.1	10,000	-
All Together Korea Fund No.2	100,000	90,127
KB Pre-IPO New Technology Business Investment Fund No.2	2,500	-
KB Smart Scale Up Fund	4,000	-
Associate of Parent		
KB Star Office Private Real Estate Investment Trust No.1	-	1,273
Associate of Parent's subsidiaries		
KB-Stonebridge Secondary Private Equity Fund	5,196	-
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	1,900	-

(In millions of Korean won)	**2019**	
	Equity investments and others	**Withdrawals and others**
Parent's subsidiaries		
Hanbando BTL Private Special Asset Fund	-	21,563
Hope Sharing BTL Private Special Asset Fund	-	1,653
KB Intellectual Property Fund	-	182
KB Senior Loan Private Fund No.1	-	13,458
KB Evergreen Private Securities Fund 98 (Bond) *	-	52,302
KB KBSTAR Mid-Long Term KTB Active ETF (Bond) *	-	500
KB Onkookmin 2025 TDF Fund (FoFs) *	5,500	-
KB Onkookmin 2030 TDF Fund (FoFs) *	5,500	-
KB Onkookmin 2035 TDF Fund (FoFs) *	-	2,289
KB Onkookmin 2045 TDF Fund (FoFs) *	-	2,184
KB Star Office Private Real Estate Investment Trust No.3	-	2,313
KB Star Office Private Real Estate Investment Trust No.4	-	1,713
KB Korea Short Term Premium Private Securities No.4(USD)(Bond) *	-	48,050
KB Korea Short Term Premium Private Securities No.5(USD)(Bond) *	92,776	211,053
KB Korea Short Term Premium Private Securities No.10(USD)(Bond) *	70,176	-
KB Global Core Bond Securities Feeder Fund(Bond)	30,000	22,220
KB Haeoreum Private Securities Investment Trust No.96 *	-	50,656
KB New Renewable Energy Private Special Asset Fund No.1	858	4
KB Mezzanine Private Securities Fund No.3	22,000	-
KB Wise Star Jongno Tower Real Estate Master Fund	65,000	1,836
Koratevien Specialist Private Equity Fund No.1	35,000	-
KB Europe Renewable Specialized Private Equity Private Asset Investment Trust No.2	3,767	-
KB Global Infra Private Special Asset Fund No.5	1	-
KB Global Infra Private Special Asset Fund No.6	1	-
Associates		
Korea Credit Bureau Co., Ltd.	-	135
Balhae Infrastructure Company	592	6,855
KoFC KBIC Frontier Champ 2010-5 (PEF) *	-	138

KB GwS Private Securities Investment Trust	-	7,276
KB12-1 Venture Investment Partnership *	-	3,400
Future Planning KB Start-up Creation Fund	-	4,400
KB High-Tech Company Investment Fund	-	6,950
Aju Good Technology Venture Fund	1,960	-
KB-KDBC Pre-IPO New Technology Business Investment Fund	2,500	-
KB-TS Technology Venture Private Equity Fund	4,200	1,200
KB Digital Innovation & Growth New Technology Business Investment Fund	1,125	-
KB Intellectual Property Fund No.2	6,000	-
KB Digital Innovation Investment Fund Limited Partnership	24,500	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	7,000	-
KB SPROTT Renewable Private Equity Fund No.1	1,327	-
KB Global Platform Fund	19,500	-
KB-UTC Inno-Tech Venture Fund	300	-
Associate of Parent		
KB Star Office Private Real Estate Investment Trust No.1	-	1,275
Associate of Parent's subsidiaries		
KB-Stonebridge Secondary Private Equity Fund	4,040	1,060

* Excluded from the Group's related party as of December 31, 2020.

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

(In millions of Korean won)		December 31, 2020	December 31, 2019
Parent's subsidiaries			
KB Securities Co., Ltd.	Loan commitments in Korean won	137,213	140,000
KB Investment Co., Ltd.	Loss sharing agreements	1,000	1,000
KB Kookmin Card Co., Ltd.	Loan commitments in Korean won	820,000	820,000
	Loan commitments in foreign currency	3,264	3,473
	Other commitments in Korean won	1,300,000	1,300,000
KB Capital Co., Ltd.	Other commitments in foreign currency	11,968	-
KB Insurance Co., Ltd.	Loan commitments in Korean won	20,000	20,000
KB Mezzanine Private Security Investment Trust No.2 *	Purchase of securities	-	11,141
KB Mezzanine Private Securities Fund No.3	Purchase of securities	30,241	48,260
KB Senior Loan Private Fund No.1	Purchase of securities	-	3,770
KB New Renewable Energy Private Special Asset Fund No.1	Purchase of securities	6,502	39,142
KB Europe Renewable Specialized Private Equity Private Asset Investment Trust No.2	Purchase of securities	6,215	14,454
KB Global Infra Private Special Asset Fund No.5	Purchase of securities	24,999	24,999
KB Global Infra Private Special Asset Fund No.6	Purchase of securities	24,999	24,999
KB BMO Senior Loan Private Special Asset Fund No.2(FOF)	Purchase of securities	6,435	-
KB Sinansan Line Private Special Asset Fund(SOC)	Purchase of securities	280,143	-
Associates			
Balhae Infrastructure Company	Purchase of securities	6,433	7,327
Incheon Bridge Co., Ltd.	Loan commitments in Korean won	20,000	20,000
KB GwS Private Securities Investment Trust	Purchase of securities	-	876
KoFC POSCO HANWHA KB Shared Growth Private Equity Fund No.2	Purchase of securities	-	10,040
Aju Good Technology Venture Fund	Purchase of securities	-	1,154
KB-TS Technology Venture Private Equity Fund	Purchase of securities	1,980	3,180
KB Digital Innovation & Growth New Technology Business Investment Fund	Purchase of securities	1,125	2,250
KB Intellectual Property Fund No.2	Purchase of securities	-	6,000
KB Digital Innovation Investment Fund Limited Partnership	Purchase of securities	-	2,800
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Purchase of securities	5,000	9,000
KB SPROTT Renewable Private Equity	Purchase of securities	14,887	18,173

Fund No.1			
KB Global Platform Fund	Purchase of securities	21,500	30,500
KB-UTC Inno-Tech Venture Fund	Purchase of securities	3,390	14,700
All Together Korea Fund No.2	Purchase of securities	990,000	-
KB Pre-IPO New Technology Business Investment Fund No.2	Purchase of securities	7,500	-
KB Smart Scale Up Fund	Purchase of securities	46,000	-
Associates of Parent's subsidiaries			
SY Auto Capital Co., Ltd.	Loan commitments in Korean won	-	8,100
Food Factory Co., Ltd.	Loan commitments in Korean won	388	-
BNF Corporation Ltd. *	Loan commitments in Korean won	-	360
KB-Stonebridge Secondary Private Equity Fund	Purchase of securities	10,764	15,960
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	Purchase of securities	8,100	-
Key management	Loan commitments in Korean won	731	564

* Excluded from the Group's related party as of December 31, 2020.

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

(In millions of Korean won)		**December 31, 2020**	**December 31, 2019**
Parent's subsidiaries			
KB Investment Co., Ltd.	Loss sharing agreements	3,404	12,209
KB Real Estate Trust Co., Ltd.	Purchase of securities	19	19
KB Securities Co., Ltd.	Purchase of securities	19	19
KB Life Insurance Co., Ltd.	Purchase of securities	104	3,438
KB Insurance Co., Ltd.	Purchase of securities	9	3,343
KB Asset Management Co., Ltd.	Purchase of securities	2	666
KB Kookmin Card Co., Ltd.	Loan commitment in Korean won	89,768	86,400

41.10 Details of compensation to key management for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**2020**			
	Short-term employee benefits	**Post-employment benefits**	**Share-based payments**	**Total**
Registered directors (executive)	1,804	76	1,532	3,412
Registered directors (non-executive)	432	-	-	432
Non-registered directors	6,286	297	3,719	10,302
	8,522	373	5,251	14,146

(In millions of Korean won)	2019			
	Short-term employee benefits	**Post-employment benefits**	**Share-based payments**	**Total**
Registered directors (executive)	1,833	49	1,594	3,476
Registered directors (non-executive)	402	-	-	402
Non-registered directors	5,767	213	4,235	10,215
	8,002	262	5,829	14,093

41.11 Major types of transactions between the Group and the related parties include deposit taking transactions, loan transactions such as general purpose loans, corporate purchase loans, B2B loans etc., settlements of funds arising from overseas remittance, providing credit line through the acceptance of letter of credit issued by the Bank, and overdraft accounts arising from net settlement agreement between the Bank and KB Kookmin Card Co., Ltd.

41.12 Details of collateral provided to related parties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)		December 31, 2020		December 31, 2019	
	Assets pledged *	**Carrying amount**	**Collateralized amount**	**Carrying amount**	**Collateralized amount**
Parent's subsidiaries					
KB Securities Co., Ltd.	Securities	52,616	52,000	50,471	50,000
KB Life Insurance Co., Ltd.	Securities	25,896	25,000	25,977	25,000
	Building/ Land	-	-	207,333	32,500
KB Insurance Co., Ltd.	Securities	49,982	50,000	49,990	50,000
	Building/ Land	-	-	207,333	26,000

* Collaterals related to lease contracts arising from operating activities between related parties are excluded.

41.13 Details of collateral provided from related parties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	**Assets pledged as collateral [1]**	**December 31, 2020**	**December 31, 2019**
Parent's subsidiaries			
KB Securities Co., Ltd.	Time deposits / Beneficiary right certificate	167,000	167,000
	Securities	26,981	27,948
	Real estate [2]	12,000	12,000
KB Life Insurance Co., Ltd.	Securities	10,000	10,000
KB Kookmin Card Co., Ltd.	Time deposits	22,000	22,000
KB Insurance Co., Ltd.	Securities	60,000	135,500
KB Credit Information Co., Ltd.	Time deposits and others	1,848	1,611
KB Star Office Private Real Estate Investment Trust No.4	Real estate	24,000	24,000
Key management	Time deposits and others	213	192
	Real estate	4,056	2,922

[1] Collaterals related to lease contracts arising from operating activities between related parties are excluded.
[2] Related to KB Wise Star Jongno Tower Real Estate Master Fund, a subsidiary of KB Securities Co., Ltd.

As of December 31, 2020, Incheon Bridge Co., Ltd., a related party, provides fund management account, civil engineering works insurance, and management and operations rights as senior collateral amounting to ₩ 611,000 million to the project financing group that consists of the Bank and 5 other institutions, and as subordinated collateral amounting to ₩ 384,800 million to subordinated debt holders that consist of the Bank and 2 other institutions. Also, it provides certificate of credit guarantee amounting to ₩ 400,000 million as collateral to the project financing group that consists of the Bank and 5 other institutions.

41.14 The amounts of debt securities and others purchased through KB securities Co., Ltd. are ₩ 14,312,409 million and ₩ 12,778,602 million for the years ended December 31, 2020 and 2019, respectively, and the amounts of debt securities and others sold through KB securities Co., Ltd. are ₩ 14,569,878 million and ₩ 7,799,397 million for the years ended December 31, 2020 and 2019, respectively. In addition, KB Securities Co., Ltd. acquired through underwriting of ₩ 400,000 million and ₩ 2,120,000 million of debentures issued by the Bank for the years ended December 31, 2020 and 2019, respectively.

41.15 The amounts of intangible assets and others purchased from KB Data System Co., Ltd. are ₩ 21,547 million and ₩ 37,004 million for the years ended December 31, 2020 and 2019, respectively.

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

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

42. Business Combination

42.1 Acquisition of PRASAC Microfinance Institution Plc (PRASAC).

On April 10, 2020, the Group acquired a 161 million shares which is 70% of the total 230 million shares in PRASAC, a microfinance company in Cambodia, for US$ 603 million from existing shareholders. Therefore, PRASAC became a subsidiary of the Group.

The main purpose of the business combination is to improve competitiveness of global business by maximizing the operational synergy with foreign subsidiaries.

Details of consideration paid, assets acquired and liabilities assumed are as follows:

(In millions of Korean won)	**2020**
Consideration	
Cash	733,976
Total consideration transferred (A)	733,976
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and due from financial institutions	658,865
Loans measured at amortized cost	3,194,211
Financial investments	35
Property and equipment	24,472
Intangible assets	1,821
Current income tax assets	873
Deferred income tax assets	26,330
Other assets	37,325
Total assets (B)	3,943,932
Deposits	2,222,944
Borrowings	1,038,684
Debentures	89,570
Current income tax liabilities	9,238
Deferred income tax liabilities	323
Other liabilities	101,696
Total liabilities (C)	3,462,455
Total identifiable net assets	481,477
Non-controlling interests (D) [1]	144,443
Goodwill (=A-B+C+D) [2]	396,942

[1] Measured at the proportionate share (30%) of the fair value of PRASAC's net assets as of the acquisition date.
[2] As a result of the business combination, there was a goodwill and the Group recognized it as intangible assets in the consolidated statement of financial position.

Details of loans acquired are as follows:

(In millions of Korean won)	**2020**
Acquiree's carrying amount of loans	3,294,798
Present value of contractual cash flows not expected to be paid	(100,587)
Fair value of loans	3,194,211

The Group has signed an agreement with the existing shareholders of PRASAC. The existing shareholders have the right of put option to sell 30% of the remaining shares to the Group, and they are entitled to exercise their rights at the exercise price calculated on the basis of the adjusted book value of net asset as of 2021 year-end, within six months from the issue date of the audit report or the confirmation date of the adjusted value. If the put option is not exercised until its expiry, the Group has a right to exercise a call option during the six months following the expiry of such put option. All shareholders are restricted from selling shares or additional pledge before exercising the put option and call option. In addition, the Group has agreed to pay dividends to existing shareholders of PRASAC for 30% of the amount exceeding USD 370 million based on the adjusted carrying value of net asset and this payment can be added to the exercised price of put option in accordance with the shareholders' agreement.

Amount of the recognized liabilities and deducted equity in relation to the above agreement with shareholders are as follows:

(In millions of Korean won)	**2020**
Agreement with shareholders (purchase of remaining shares and payment of dividends)	
Other payables (present value of exercising price of options)	308,236
Other payables (present value of expected dividends)	102,986
	411,222
Attributable to ordinary equity holders of the Parent Company (capital surplus)	(411,222)

Operating income and net profit of PRASAC for the period after the acquisition date were ₩ 147,571 million and ₩ 118,339 million, respectively, which are reflected in the consolidated statement of comprehensive income, and the amount attributed to net profit to shareholders of the Parent Company is ₩ 82,837 million.

If PRASAC was consolidated from the beginning of the current period, its operating income and net profit to be reflected in the consolidated statement of comprehensive income would be ₩ 183,735 million and ₩ 147,383 million, respectively and the amount that would have been attributed to net profit to shareholders of the Parent Company is ₩ 103,168 million.

42.2 Acquisition of PT Bank Bukopin TBK

At the Board of Directors meeting held on July 16, 2020, the Group has decided to acquire additional ordinary shares of PT Bank Bukopin TBK, the Group's associate, which operates a banking business in Indonesia, through issuance of shares in the form of an allotment to shareholders (1st) and an allotment to the third party (2nd).

Accordingly, the Group acquired 2,967,600,372 ordinary shares for IDR 534,168,066,960 (₩ 43,909 million) from issuance of shares in the form of an allotment to shareholders (1st) on July 30, 2020, and 16,360,578,947 ordinary shares for IDR 3,108,509,999,930 (₩ 252,722 million) from issuance of shares in the form of an allotment to the third party (2nd) on September 2, 2020. The Group secured 67.00% of PT Bank Bukopin TBK through paid-in capital increase twice, and PT Bank Bukopin TBK became a subsidiary of the Group on September 2, 2020.

The main purpose of the business combination is to improve competitiveness of global business by maximizing the operational synergy with foreign subsidiaries.

Details of consideration paid, assets acquired and liabilities assumed are as follows:

(In millions of Korean won)	**2020**
Consideration	
Fair value of existing shares at the time of exchange	78,446
Cash (=16,360,578,947shares x 190 IDR)	252,722
Total consideration transferred (A)	331,168
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and due from financial institutions	300,424
Financial assets at fair value through profit or loss	3,960
Derivative assets	130
Loans measured at amortized cost	4,256,209
Financial investments	469,625
Property and equipment	280,197
Intangible assets	99,085
Deferred income tax assets	25,350
Assets held for sale	183,642
Other assets	272,775
Total assets (B)	5,891,397
Deposits	4,253,557
Borrowings	838,142
Debentures	141,806
Provisions	3,522
Net defined benefit liabilities	15,141
Other liabilities	276,336
Total liabilities (C)	5,528,504
Total identifiable net assets	362,893
Non-controlling interests [1]	120,945
Goodwill (=A-B+C+D) [2]	89,220

[1] The sum of the existing non-controlling interests held by PT Bank Bukopin TBK and the proportionate share (33%) of the fair value of PT Bank Bukopin TBK's net assets as of the acquisition date.

[2] As a result of the business combination, there was a goodwill and the Group recognized it as intangible assets in the consolidated statement of financial position.

Details of loans acquired are as follows:

(In millions of Korean won)	**2020**
Acquiree's carrying amount of loans	5,053,321
Present value of contractual cash flows not expected to be paid	(797,112)
Fair value of loans	4,256,209

In 2020, the Group measured 33.90% shares of PT Bank Bukopin TBK, which the Group held before the business combination, at fair value, and recognized ₩30,277 million as gain on investment in associates in the consolidated statement of comprehensive income.

Operating loss and net loss of PT Bank Bukopin TBK for the period after the acquisition date were ₩ 61,051 million and ₩ 43,402 million, respectively, which are reflected in the consolidated statement of comprehensive income, and the amount attributed to net loss to shareholders of the Parent Company is ₩ 29,223 million.

If PT Bank Bukopin TBK was consolidated from the beginning of the current period, its operating loss and net loss to be reflected in the consolidated statement of comprehensive income would be ₩ 190,584 million and ₩ 146,227 million, respectively and the amount that would have been attributed to net loss to shareholders of the Parent Company is ₩ 97,981 million.

Details of intangible assets recognized as a result of business combinations are as follows:

(In millions of Korean won)	**2020**
Core deposits [1]	95,477
Others [2]	3,608
	99,085

[1] It is an identifiable intangible asset and reflects the fair value of financing costs saved through stable relationships with saving customers.
[2] Software and other intangible assets which were previously held by PT Bank Bukopin TBK.

43. Approval of Issuance of the Consolidated Financial Statements

The issuance of the Group's consolidated financial statements as of and for the year ended December 31, 2020, was approved by the Board of Directors on February 3, 2021.

Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholder of Kookmin Bank

Opinion

We have audited the accompanying consolidated financial statements of Kookmin Bank and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS)

Basis for Opinion

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

Other Matter

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we

conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

March 5, 2020

This report is effective as of March 5, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Kookmin Bank and Subsidiaries
Consolidated Statements of Financial Position
Years Ended December 31, 2019 and 2018

(In millions of Korean won)	Notes	2019	2018
Assets			
Cash and due from financial institutions	4,6,7,36	14,481,309	14,889,010
Financial assets at fair value through profit or loss	4,6,8,12	13,866,303	12,257,005
Derivative financial assets	4,6,9	2,317,425	1,613,970
Loans at amortized cost	4,6,8,10,11	293,531,433	276,944,202
Financial investments	4,6,8,12	52,419,293	42,723,480
Investments in associates	13	564,711	506,664
Property and equipment	14	3,784,374	3,127,666
Investment property	14	475,968	257,924
Intangible assets	15	268,731	224,208
Current income tax assets	32	13,904	4,638
Deferred income tax assets	16,32	2,263	3,131
Assets held for sale	18	6,941	16,952
Other assets	4,6,17	5,692,383	4,390,408
Total assets		387,425,038	356,959,258
Liabilities			
Financial liabilities at fair value through profit or loss	4,6	80,235	87,168
Derivative financial liabilities	4,6,9	2,168,982	1,642,409
Deposits	4,6,19	300,917,482	272,484,528
Debts	4,6,20	19,141,262	17,496,055
Debentures	4,6,21	18,739,992	23,163,585
Provisions	22	311,140	308,374
Net defined benefit liabilities	23	179,110	166,605
Current income tax liabilities	32	8,338	5,737
Deferred income tax liabilities	16,32	248,652	120,867
Other liabilities	4,6,24,30	16,625,612	14,816,064
		358,420,805	330,291,392
Total liabilities			
Equity			
Capital stock	25	2,021,896	2,021,896
Hybrid securities	25	574,523	-
Capital surplus	25	5,219,704	5,218,788
Accumulated other comprehensive income	25, 34	123,334	115,784
Retained earnings	25, 33	21,064,776	19,311,398
(Provision of regulatory reserve for credit losses			
December 31, 2019 : ₩ 2,291,019 million			
December 31, 2018 : ₩ 2,150,772 million)			
(Amounts estimated to be appropriated			
December 31, 2019 : ₩ 150,856 million			
December 31, 2018 : ₩ 140,247 million)			
Equity attributable to the shareholder of the Parent Company		29,004,233	26,667,866
Non-controlling interest equity		-	-
Total equity		29,004,233	26,667,866
Total liabilities and equity		387,425,038	356,959,258

(*) The consolidated statement of financial position as at December 31, 2019 is prepared applying Korean IFRS 1116, and the comparative consolidated statement of financial position as at December 31, 2018 has not been restated retrospectively as permitted by the transitional provisions of Korean IFRS 1116.

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

Kookmin Bank and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2019 and 2018

(In millions of Korean won)	Notes	2019	2018
Interest income		10,779,948	10,019,888
Interest income from financial instruments at fair value through other comprehensive income and amortized cost		10,568,018	9,797,583
Interest income from financial instruments at fair value through profit or loss		211,930	222,305
Interest expense		(4,416,161)	(3,919,166)
Net interest income	26	6,363,787	6,100,722
Fee and commission income		1,483,362	1,422,791
Fee and commission expense		(350,066)	(300,043)
Net fee and commission income	27	1,133,296	1,122,748
Net gains on financial instruments at fair value through profit or loss	28	422,624	326,395
Net other operating expenses	29	(600,639)	(696,486)
General and administrative expenses	14,15,23,30,40	(3,887,419)	(3,766,995)
Operating profit before provision for credit losses		3,431,649	3,086,384
Provision for credit losses	7,11,12,17,22	(103,530)	(93,916)
Operating profit		3,328,119	2,992,468
Share of profit of associates	13	29,240	49,698
Net other non-operating income	31	(38,887)	44,172
Net non-operating profit		(9,647)	93,870
Profit before income tax expense		3,318,472	3,086,338
Income tax expense	32	(879,393)	(827,140)
Profit for the year		2,439,079	2,259,198
(Adjusted profit after provision of regulatory reserve for credit losses	25		
2019 : ₩ 2,288,223 million			
2018 : ₩ 2,011,991 million			
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	23	(40,369)	(95,796)
Losses on equity instruments at fair value through other comprehensive income		(17,151)	(36,013)
Items that may be subsequently reclassified to profit or loss:			
Currency translation adjustments		26,271	27,383
Gains(losses) on debt instruments at fair value through other comprehensive income		34,275	57,188
Share of other comprehensive gains(losses) of associates		7,546	(3,383)
Losses on hedging instruments of net investments in foreign operations		(6,267)	(25,386)
Gains(losses) on cash flow hedging instruments		(15,230)	3,788
Other comprehensive income for the year, net of tax	34	(10,925)	(72,219)
Total comprehensive income for the year		2,428,154	2,186,979
Profit attributable to:			
Shareholder of the Parent Company		2,439,079	2,259,198
Non-controlling interests		-	-
		2,439,079	2,259,198
Total comprehensive income for the year attributable to:			
Shareholder of the Parent Company		2,428,154	2,186,979
Non-controlling interests		-	-
		2,428,154	2,186,979

(*) The consolidated statements of comprehensive income for the year ended December 31, 2019 are prepared applying Korean IFRS 1116, and the comparative consolidated statements of comprehensive income for the year ended December 31, 2018 have not been restated retrospectively as permitted by transitional provisions of Korean IFRS 1116.

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

Kookmin Bank and Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2019 and 2018

(In millions of Korean won)	Attributable to the shareholder of the Parent Company						
	Capital Stock	Hybrid securites	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Non-controlling interests	Total Equity
Balance at January 1, 2018	2,021,896	-	5,219,693	678,094	17,403,751	-	25,323,434
The effect of changes in accounting policies	-	-	-	(490,091)	274,943	-	(215,148)
Balance after reflecting the change of accounting policies	2,021,896	-	5,219,693	188,003	17,678,694	-	25,108,286
Comprehensive income for the year							
Profit for the year	-	-	-	-	2,259,198	-	2,259,198
Remeasurements of net defined benefit liabilities	-	-	-	(95,796)	-	-	(95,796)
Net gains on equity instruments at fair value through other comprehensive income	-	-	-	(36,013)	13,638	-	(22,375)
Currency translation adjustments	-	-	-	27,383	-	-	27,383
Net gains on debt instruments at fair value through other comprehensive income	-	-	-	57,188	-	-	57,188
Share of other comprehensive loss of associates	-	-	-	(3,383)	-	-	(3,383)
Losses on hedging instruments of net investments in foreign operations	-	-	-	(25,386)	-	-	(25,386)
Gains on cash flow hedging instruments	-	-	-	3,788	-	-	3,788
Total comprehensive income for the year	-	-	-	(72,219)	2,272,836	-	2,200,617
Transactions with the shareholder							
Dividends	-	-	-	-	(640,132)	-	(640,132)
Changes in ownership of subsidiaries	-	-	(905)	-	-	-	(905)
Total transactions with the shareholder	-	-	(905)	-	(640,132)	-	(641,037)
Balance at December 31, 2018	2,021,896	-	5,218,788	115,784	19,311,398	-	26,667,866
Balance at January 1, 2019	2,021,896	-	5,218,788	115,784	19,311,398	-	26,667,866
The effect of changes in accounting policies							
Comprehensive income for the year							
Profit for the year	-	-	-	-	2,439,079	-	2,439,079
Remeasurements of net defined benefit liabilities	-	-	-	(40,369)	-	-	(40,369)
Net gains on equity instruments at fair value through other comprehensive income	-	-	-	1,324	(18,475)	-	(17,151)
Currency translation adjustments	-	-	-	26,271	-	-	26,271
Net gains on debt instruments at fair value through other comprehensive income	-	-	-	34,275	-	-	34,275
Share of other comprehensive loss of associates	-	-	-	7,546	-	-	7,546
in foreign operations	-	-	-	(6,267)	-	-	(6,267)
Gains on cash flow hedging instruments	-	-	-	(15,230)	-	-	(15,230)
Total comprehensive income for the year	-	-	-	7,550	2,420,604	-	2,428,154
Transactions with the shareholder							
Dividends	-	-	-	-	(667,226)	-	(667,226)
Issuance of hybrid securities	-	574,523	-	-	-	-	574,523
Changes in ownership of subsidiaries	-	-	916	-	-	-	916
Total transactions with the shareholder	-	574,523	916	-	(667,226)	-	(91,787)
Balance at December 31, 2019	2,021,896	574,523	5,219,704	123,334	21,064,776	-	29,004,233

(*) The consolidated statements of comprehensive income for the year ended December 31, 2019 are prepared applying Korean IFRS 1116, and the comparative consolidated statements of comprehensive income for the year ended December 31, 2018 have not been restated retrospectively as permitted by transitional provisions of Korean IFRS 1116.

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

Kookmin Bank and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

(In millions of Korean won)	Notes	2019	2018
Cash flows from operating activities			
Profit for the year		2,439,079	2,259,198
Adjustment for non-cash items			
Net losses(gains) on financial assets/liabilities at fair value through profit or loss		(201,982)	(56,385)
Net losses(gains) on derivative financial instrument for hedging purposes		(110,405)	41,522
Adjustment of fair value of derivative financial instruments		282	410
Provision for credit losses		103,170	93,916
Net gains on financial investments		(95,524)	(88,079)
Share of profit of associates and subsidiaries		(29,240)	(49,698)
Depreciation and amortization expense		509,346	246,488
Other net losses(gains) on property and equipment/intangible assets		1,518	(139,092)
Share-based payment		15,173	4,051
Post-employment benefits		157,946	140,877
Net interest expense		236,930	250,854
Gains on foreign currency translation		(100,131)	(9,004)
Other expense		60,496	16,356
		547,579	452,216
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss		(1,497,738)	(2,983,784)
Derivative financial instrument		(7,944)	(9,867)
Loans at amortized cost		(16,595,592)	(25,553,376)
Current income tax assets		(9,265)	(1,416)
Deferred income tax assets		1,110	(649)
Other assets		(905,137)	1,622,046
Financial liabilities at fair value through profit or loss		(23,165)	10,419
Deposits		28,107,474	19,633,557
Deferred income tax liabilities		137,700	56,200
Other liabilities		1,176,035	975,835
		10,383,478	(6,251,035)
Net cash inflow(outflow) from operating activities		13,370,136	(3,539,621)
Cash flows from investing activities			
Net cash flows from derivative financial instrument for hedging purposes		7,120	(14,918)
Disposal of financial assets at fair value through profit or loss		7,807,186	8,303,648
Acquisition of financial assets at fair value through profit or loss		(7,817,304)	(6,220,238)
Disposal of financial investments		59,540,128	53,180,839
Acquisition of financial investments		(68,825,567)	(57,553,020)
Disposal of investments in associates		30,354	44,865
Acquisition of investments in associates		(69,005)	(159,320)
Disposal of property and equipment		60	1,724
Acquisition of property and equipment		(525,605)	(333,949)
Acquisition of investment property		(230,584)	(179)
Disposal of investment property		-	139,639
Disposal of intangible assets		7,126	1,425
Acquisition of intangible assets		(73,726)	(53,057)
Net cash flows from changes in ownership of subsidiaries		212,279	14,280
Others		(59,809)	301,012
Net cash outflow from investing activities		(9,997,347)	(2,347,249)
Cash flows from financing activities			
Net cash flows from derivative financial instrument for hedging purposes		(28,631)	(17,698)
Net increase in debts		1,290,505	1,517,015
Increase in debentures		9,543,968	14,209,940
Decrease in debentures		(14,105,629)	(10,414,512)
Payment of dividends		(667,226)	(640,132)
Net increase(decrease) in other payables from trust accounts		(68,647)	267,076
Issuance of hybrid securities		574,523	-
Others		(66,498)	(220,618)
Net cash inflow(outflow) from financing activities		(3,527,635)	4,701,071
Exchange gains (losses) on cash and cash equivalents		177,664	(35,660)
Net increase(decrease) in cash and cash equivalents		22,818	(1,221,459)
Cash and cash equivalents at the beginning of the year	36	4,856,495	6,077,954
Cash and cash equivalents at the end of the year	36	4,879,313	4,856,495

(*) The consolidated statements of comprehensive income for the year ended December 31, 2019 are prepared applying Korean IFRS 1116, and the comparative consolidated statements of comprehensive income for the year ended December 31, 2018 have not been restated retrospectively as permitted by transitional provisions of Korean IFRS 1116.

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

1. The Bank

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

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

The Bank listed its shares on the Stock Market Division of the Korea Exchange (“KRX,” formerly Korea Stock Exchange) in September 1994. As a result of the merger with H&CB, the shareholder of the former Kookmin Bank and H&CB received new common shares of the Bank which were relisted on the KRX on November 9, 2001. In addition, H&CB listed its American Depositary Shares (“ADS”) on the New York Stock Exchange (“NYSE”) on October 3, 2000, prior to the merger. Following the merger with H&CB, the Bank listed its ADS on the NYSE on November 1, 2001. The Bank became a wholly owned subsidiary of KB Financial Group Inc. through a comprehensive stock transfer on September 29, 2008. Subsequently, the Bank’s shares and its ADS, each listed on the KRX and the NYSE, were delisted on October 10, 2008 and September 26, 2008, respectively. As at December 31, 2019, the Bank’s paid-in capital is ₩2,021,896 million.

The Bank engages in the banking business in accordance with the Banking Act, trust business and other relevant businesses in accordance with the Financial Investment Services and Capital Markets Act, and telecommunication Services in accordance with the Special Act on Financial Innovation Support. As at December 31, 2019, the Bank operates 1,051 domestic branches and offices, and eight overseas branches (excluding four subsidiaries and two offices).

2. Basis of Preparation

2.1 Application of Korean IFRS

The Bank and its subsidiaries (collectively the “Group”) maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with Korean IFRS. The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

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

The Group newly applied the following amended and enacted standards and interpretations from January 1, 2019, and these applications did not have a material impact on the consolidated financial statements, except for the adoption of Korean IFRS 1116 *Leases*.

- Amendments to Korean IFRS 1116 *Leases*

Korean IFRS 1116 adopts a single lease model and requires lesses to recognize assets and liabilities for all leases of which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

The Group changed its accounting policies as a result of adopting Korean IFRS 1116 *Leases*. The Group applied the new accounting policies retrospectively, as permitted under the specific transitional provisions in the standard. The cumulative effect of initial application of Korean IFRS 1116 was recognized on the date of initial application (January 1, 2019). The Group did not elect to restate its comparative prior financial statements. See Note 42 for the effect of adoption of Korean IFRS 1116 *Leases.*

- Amendments of Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS 1109 *Financial Instruments* enable entities to measure certain pre-payable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendments had no material impact on the Group's financial statements.

- Amendments of Korean IFRS 1019 *Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendments had no material impact on the Group's financial statements.

- Amendments of Korean IFRS 1028 *Investments in Associates and Joint Ventures*

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. The amendments had no material impact on the Group's financial statements.

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

The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgment or estimate is required to be reassessed. The enactment did not have a significant impact on the financial statements.

- Amendments to K-IFRS No. 1109, *Financial Instruments*, and No. 1107, *Financial Instruments: Disclosure*

Due to benchmark interest rate reform, exceptions have been added that allow hedge accounting to be applied while uncertainty exists. With regards to the hedging relationship, we assume that the benchmark interest rate, which is the underlying variable of cash flows, is not changed by the benchmark interest rate reform when examining the likelihood of anticipated transactions and the subsequent evaluation of the hedging effect. For hedges of interest rate risk factors not specified in the contract, the requirement that the hedged risk must be separately identified applies only at the inception of the hedge relationship. The application of this exception is terminated when uncertainty regarding the timing and amount of cash flows based on the benchmark interest rates resulting from the benchmark interest rate reform ceases or the hedging relationship ceases. The amendments were implemented from January 1, 2020, but the Group adopted those amendments early as early adoption was allowed. The significant benchmark interest rate indicator for the hedge relationship is LIBOR and CD Rates, and the hedge accounted for in this amendment is hedge accounting in Note 9.

- Annual Improvements 2015-2017 Cycle

Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The amendments had no material impact on the Group's financial statements..

Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The amendments had no material impact on the Group's financial statements.

Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment had no material impact on the Group's financial statements.

Korean IFRS 1023 *Borrowing Cost*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. The amendments had no material impact on the Group's financial statements.

Certain new accounting standards and interpretations that have been published but are not mandatory for the reporting period commencing January 1, 2019 and have not been early adopted by the Group are set out below.

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

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments had a significant impact on the financial statements.

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

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments had a material impact on the financial statements.

- New interpretations not yet adopted by the Group

On December 16, 2019, the IFRS Interpretation Committee announced that all economic penalties for the termination of the lease are taken into account when determining the enforceable period for lease term and useful life of leasehold improvements. The Group is analyzing the impact of changes in accounting policy for the enforceable period on consolidated financial statements.

Due to the large number of lease contracts held by the Group and varying terms of the contract, the Group expects that sufficient time would be required to assess items to be included in the review of extensive economic penalty and to establish procedures for collecting and analyzing necessary information. Therefore, the effect of the changes in accounting policy for the lease term has not been reflected in the consolidated financial statements for the current reporting period.

If the accounting policy for the lease term is changed in the annual periods beginning on or after January 1, 2020, the amount of the related right-of-use assets and lease liabilities may increase, and the consolidated financial statements may need to be retroactively restated to reflect this effect.

2.2 Measurement Basis

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

2.3 Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency. Refer to Notes 3.2.

2.4 Critical Accounting Estimates

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

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

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

2.4.1 Income Taxes

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

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

2.4.2 Fair Value of Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on material market conditions existing at the end of each reporting period. Refer to Note 6 for details on valuation techniques and inputs used to determine the fair value of financial instruments.

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

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

2.4.4 Net Defined Benefit Liability

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

2.4.5 Estimated Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

3. Significant Accounting Policies

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

3.1 Consolidation

3.1.1 Subsidiaries

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

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

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

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

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

3.1.2 Associates

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

If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the entity in applying the equity method.

3.1.3 Structured Entity

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

3.1.4 Trusts and Funds

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

3.1.5 Intra-group Transactions

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

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions and Balances

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate which is the spot exchange rate at the end of the reporting period. Non-monetary items that are measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined and non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

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

3.2.2 Foreign Operations

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

Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period. Income and expenses in the statement of comprehensive income presented are translated at average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

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

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

3.2.3 Translation of the net investment in a foreign operation

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

3.3 Recognition and Measurement of Financial Instruments

3.3.1 Initial Recognition

The Group recognizes a financial asset or a financial liability in its consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets (a purchase or sale of a financial asset under a contract whose terms require delivery of the financial instruments within the time frame established generally by market regulation or practice) is recognized and derecognized using trade date accounting.

The Group classifies financial assets as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income or financial assets at amortized cost. The Group classifies financial liabilities as financial liabilities at fair value through profit or loss, or other financial liabilities. The classification depends on the Group's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments at initial recognition.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of a financial instrument on initial recognition is normally the transaction price (that is, the fair value of the consideration given or received) in an arm's length transaction.

3.3.2 Subsequent Measurement

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

Amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition and adjusted to reflect principal repayments, cumulative amortization using the effective interest method and any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Fair value

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

If the market for a financial instrument is not active, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Group uses valuation models that are commonly used by market participants and customized for the Group to determine fair values of common over-the-counter (OTC) derivatives such as options, interest rate swaps and currency swaps which are based on the inputs observable in markets. For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally used within the industry, or a value measured by an independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not market observable and therefore it is necessary to estimate fair value based on certain assumptions.

The Group’s Fair Value Evaluation Committee, which consists of the risk management department, trading department and accounting department, reviews the appropriateness of internally developed valuation models, and approves the selection and changing of the external valuation institution and other considerations related to fair value measurement. The review results on the fair valuation models are reported to the Market Risk Management subcommittee by the Fair Value Evaluation Committee on a regular basis.

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

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with economic methodologies applied for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests its validity using prices of observable current market transactions of the same instrument or based on other relevant observable market data.

3.3.3 Derecognition

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

Derecognition of financial assets

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

If the Group transfers the contractual rights to receive the cash flows of the financial asset, but retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the transferred asset in its entirely and recognize a financial liability for the consideration received.

The Group writes off the carrying amount and allowance of financial assets in its entirety or to a portion thereof when the principal and interest are determined to be no longer recoverable. In general, the Group considers write-off when it is determined that the debtor does not have sufficient resources or income to cover the principal and interest, and this write-off decision is made in accordance with internal regulations. After the write-off, the Group can collect the written-off loans continuously according to the internal policy. Recovered amounts from written-off financial assets are recognized in profit or loss.

Derecognition of financial liabilities

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

3.3.4 Offsetting

Financial assets and financial liabilities are offset and the net amount are presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.4 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.5 Non-derivative Financial Assets

3.5.1 Financial Assets at Fair Value through Profit or Loss

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

The Group may designate certain financial assets upon initial recognition as at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. Interest income using the effective interest method and dividend income from financial assets at fair value through profit or loss are also recognized in profit or loss.

3.5.2 Financial Assets at Fair Value through Other Comprehensive Income

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

- Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding or;

- Equity instruments that are not held for trading with the objective of generating a profit from short-term fluctuations in price or dealer's margin, designated as financial assets at fair value through other comprehensive income.

After initial recognition, a financial asset at fair value through other comprehensive income is measured at fair value. Gains or losses arising from a change in fair value, other than dividend income, interest income using effective interest method and exchange differences arising on monetary items which are recognized directly in profit or loss, are recognized as other comprehensive income in equity.

Upon disposal of financial assets at fair value through other comprehensive income, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. However, cumulative gain or loss of equity instrument designated as fair value through other comprehensive income are reclassified to retained earnings not to profit or loss at disposal.

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

3.5.3 Financial Assets at Amortized Cost

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

These financial assets are subsequently carried at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest method.

The carrying amount of financial assets at amortized cost is presented by deducting allowance for doubtful accounts, and the measurement method is described in Note 3.6.

3.6 Expected Credit Loss of Financial Assets (Debt Instruments)

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

Expected credit losses are estimated at present value of probability-weighted amount that is determined by evaluating a range of possible outcomes. The Group measures expected credit losses by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions.

The approaches of measuring expected credit losses in accordance with Korean IFRS are as follows:

- General approach: for financial assets not subject to the below approach and unused loan commitments on off-balance sheet
- Credit-impaired approach: for financial assets that are credit-impaired at the time of acquisition

Application of general approach is differentiated depending on whether credit risk has increased significantly after initial recognition. After initial recognition, loss allowances for the assets without significant increase in credit risk are measured at the amount of 12 month expected credit losses, whereas the loss allowances for the assets with significant increase in credit risk are measured at the amount of lifetime expected credit losses. Lifetime is presumed to be a period to the contractual maturity date of financial assets (the expected life of financial assets).

The Group determines whether the credit risk has increased significantly using the following information, and if one or more of the following items are met, it is deemed as significant increase in credit risk. Information of more than 30 days overdue is applied to all subsidiaries, and other information is applied selectively considering specific indicators of each subsidiary or additionally considering specific indicators of each subsidiary. When the contractual cash flows of a financial asset are renegotiated or otherwise modified, the Group determines whether the credit risk has increased significantly using the same following information.

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

If one or more of the following items are met, it is generally deemed as credit-impaired:

- 90 days or more past due
- Legal proceedings related to collection
- A borrower registered on the credit management list of the Korea Federation of Banks
- A corporate borrower with the credit rating C or D
- Refinancing or

- Debt restructuring, and etc.

3.6.1 Forward-looking Information

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

The Group assumes the risk components have a certain correlation with the economic cycle, and uses statistical methodologies to estimate the relation between key macroeconomic variables and risk components for the expected credit losses. The Group has derived a correlation between the time series data of more than 11 years and the key macroeconomic variables, and calculates the expected credit losses by reflecting the results of the correlation on the risk component. The correlation between the major macroeconomic variables and the credit risk is as follows:

Key macroeconomic variables	Correlation between the major macroeconomic variables and the credit risk
Domestic GDP growth rate	(-)
Composite stock index	(-)
Construction investment change rate	(-)
Rate of change in housing transaction price index	(-)
Interest rate spread	(+)
Private consumption growth rate	(-)

Forward-looking information used in calculation of expected credit losses is based on the macroeconomic forecasts utilized by the management of the Bank for its business plan taking into account reliable external agency's forecasts and others. The forward-looking information is generated by KB Research under KB Financial Group with comprehensive approach to capture the possibility of various economic forecast scenarios that are derived from the internal and external viewpoints of the macroeconomic situation. The Group determines the macroeconomic variables to use in forecasting future condition of the economy, taking into account the direction of the forecast scenario and the significant relationship between macroeconomic variables and time series data. And there are some changes compared to the macroeconomic variables used in the previous year.

3.6.2 Measuring Expected Credit Losses on Financial Assets at Amortized Cost

The expected credit losses on financial assets at amortized cost are measured as the difference between the asset's contractual terms of cash flow and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The Group estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

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

Individual assessment of impairment

Individual assessment of impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. This process normally encompasses management's best estimate, such as operating cash flow of the borrower and net realizable value of any collateral held.

Collective assessment of impairment

Collective assessment of impairment is performed by using a methodology based on historical loss experience and reflecting forward-looking information. Such methodology applies factors such as type of collateral, product and borrowers, credit rating, portfolio size, recovery period, probability of default estimated for each group of assets and loss given default by type of recovery method. Also, consistent assumptions are applied to form a formula-based model in estimating expected credit loss and to determine factors on the basis of historical loss experience and forward-looking information. The methodology and assumptions used for collective assessment of impairment are reviewed regularly to reduce any differences between estimated and actual losses.

Lifetime expected credit loss is measured by applying Probability of Default ("PD") and adjusted Loss Given Default ("LGD ") reflecting the changes in carrying amount to the carrying amount as at the end of the reporting period deducted by expected repayment of principals.

3.6.3 Measuring Expected Credit Losses on Financial Assets at Fair Value through Other Comprehensive Income

Measuring method of expected credit losses on financial assets at fair value through other comprehensive income is equal to that of financial assets at amortized cost. However, the changes in loss allowances are recognized as other comprehensive income. Upon disposal or repayment of financial assets at fair value through other comprehensive income, the amount of loss allowances is reclassified from other comprehensive income to profit or loss.

3.7 Derivative Financial Instruments

The Group enters into numerous derivative financial instrument contracts such as currency forwards, interest rate swaps, currency swaps and others for trading purposes or to manage its exposures to fluctuations in interest rates and currency exchange, amongst others. The Group's derivative operations focus on addressing the needs of the Group's corporate clients to hedge their risk exposure and to hedge the Group's risk exposure that results from such client contracts. These derivative financial instruments are presented as derivative financial instruments within the consolidated financial statements irrespective of transaction purpose and subsequent measurement requirement.

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

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

See Note 9 for changes in fair value of the hedging instruments and changes in other comprehensive income related to derivatives held for cash flow hedging.

The Group applies hedge accounting for risk management activities aligned with the requirements and qualifying criteria for hedge accounting of Korean IFRS 1109.

3.7.1 Derivative Financial Instruments Held for Trading

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

3.7.2 Fair Value Hedges

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

3.7.3 Cash Flow Hedges

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

3.7.4 Hedge of Net Investment

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

3.7.5 Risk Management Strategy

Interest rate risk arises from changes in fair value resulting from changes in the discount rate of fixed rate financial instruments, and changes in cash flows resulting from changes in the nominal interest rate of floating rate financial instruments. Foreign currencies risk arises from net investment in a foreign operation, whose functional currencies differ from the Group’s functional currency.

While the Group entirely hedges the interest rate risk, the Group hedges the foreign currencies risk only the proportional part of the notional amount.

At inception of the hedge relationship, the Group reviews the hedge effectiveness; and periodically reviews the effectiveness in order to confirm that economic relationship between the hedged item and the hedging instrument exists. The requirement that an economic relationship exists means that the hedging instrument and the hedged item have values that generally move in the opposite direction because of the same risk, which is the hedged risk. The Group designates the exposure of hedged item opposite to the exposure of hedging instruments in order to meet economic relationship requirement.

The Group designates hedge relationship at one-on-one ratio between the nominal amount of hedging instrument and to the nominal amount of hedged item.

Ineffectiveness could arise because of differences in the underlying parameters (acquisition date, credit risk or liquidity and others) or other differences between the hedging instrument and the hedged item that the Group accepts in order to achieve a cost-effective hedging relationship.

The Group avoids the cash flow variability of its floating rate debt securities by using interest rate swaps. Both are linked to the same interest rate; however, the paid amount of the floating rate may be set on different dates. Even if the variability of interest rate related cash flows (as a risk factor) are designated as a hedged item, the difference in set-up dates creates an hedge ineffectiveness.

The Group avoids the variability of fair values of its fixed rate debt securities by using interest rate swaps. The calculating method of the number of the dates for paying fixed-rate interest amount can be different between both. Even if the variability of the fair value due to the benchmark interest rate (as a risk factor) are designated as a hedged item, the difference calculating in set-up dates creates an hedge ineffectiveness.

3.7.6 Embedded Derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if, 1) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, 2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and, 3) the hybrid contract contains a host that is not a financial asset and is not designated as at fair value through profit or loss. Gains or losses arising from a change in the fair value of an embedded derivative separated from the host contract are recognized in net profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

3.7.7 Day One Gain and Loss

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

3.8 Property and Equipment

3.8.1 Recognition and Measurement

All property and equipment that qualify for recognition as an asset are measured at cost and subsequently carried at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred.

3.8.2 Depreciation

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

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

Property and equipment	Depreciation method	Estimated useful lives
Buildings and structures	Straight-line	40 years
Leasehold improvements	Declining-balance	4 years
Equipment and vehicles	Declining-balance	4 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least at each financial year end and, if expectations differ from previous estimates or if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the changes are accounted for as a change in an accounting estimate.

3.9 Investment Properties

3.9.1 Recognition and Measurement

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

3.9.2 Depreciation

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

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

Investment properties	Depreciation method	Estimated useful lives
Buildings	Straight-line	40 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least at each financial year end and, if expectations differ from previous estimates or if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the changes are accounted for as a change in an accounting estimate.

3.10 Intangible Assets

Intangible assets are measured initially at cost and subsequently carried at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets, except for goodwill and membership rights, are amortized using the straight-line method with no residual value over their estimated useful economic life since the asset is available for use.

Intangible assets	Amortization method	Estimated useful lives
Industrial property rights	Straight-line	5 years
Software	Straight-line	4 ~ 5 years
Others	Straight-line	1 ~ 13 years

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

3.10.1 Goodwill

Recognition and measurement

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

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

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

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

Additional acquisitions of non-controlling interest

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

Subsequent measurement

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

3.10.2 Subsequent Expenditure

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

3.11 Impairment of Non-financial Assets

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

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit that are discounted by a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

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

3.12 Non-current Assets Held for Sale

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

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

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

3.13 Financial Liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

3.13.1 Financial Liabilities at Fair Value through Profit or Loss

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

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

3.13.2 Other Financial Liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities include deposits, debts, debentures and others. Upon of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

In case an asset is sold under repurchase agreement, the Group does not derecognize the asset while the amount sold is accounted for as financial liabilities. The Group derecognizes a financial liability from the consolidated statement of financial position only when the obligation specified in the contract is discharged, cancelled or expired.

3.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of provisions, and where the effect of the time value of money is material, the amount of provisions are the present value of the expenditures expected to be required to settle the obligation.

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

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

3.15 Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due according to the original or modified terms of a debt instrument.

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

- Provisions measured in accordance with Korean IFRS 1109 *Financial Instruments* and
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*.

3.16 Equity Instrument Issued by the Group

An equity instrument is any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

3.16.1 Ordinary share

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and exercising stock options are deducted, net of tax, from the equity.

3.16.2 Hybrid Capital Securities

The financial instruments can be classified as either financial liabilities or equity in accordance with the terms of the contract. The Group classifies hybrid securities as an equity if the Group has the unconditional right to avoid any contractual obligation to deliver financial assets such as cash in relation to the financial instruments. As a result, Hybrid Capital Securities issued by subsidiaries are classified as non-controlling interests, dividends are recognized in the consolidated statement of comprehensive income as profit attributable to non-controlling interests.

3.17 Revenue Recognition

The Group recognizes revenues in accordance with the following steps determined in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*.

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

3.17.1 Interest Income and Expense

Interest income and expense from debt instruments at fair value through profit or loss (excluding beneficiary certificates, equity investments and other debt instruments), loans, financial instruments at amortized cost and debt instruments at fair value through other comprehensive income, are recognized in statement of comprehensive income using the effective interest method in accordance with IFRS1109 *Financial Instruments*. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid(main components of effective interest rates only) or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Interest on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income earned from debt instruments at fair value through profit or loss is also classified as interest income in the statement of comprehensive income.

3.17.2 Fee and Commission Income

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

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

Such fees are generally treated as adjustments of effective interest. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction and origination fees received on issuing financial liabilities at amortized cost. However, fees relating to the creation or acquisition of a financial instrument at fair value through profit or loss are recognized as revenue immediately.

Fees related to performance obligations in the contract satisfied over time

As control over related goods and services of fees and commission income of performance obligation contracts transfer over time, commission income is recognized over the period of performance obligations. Fees and commission income, including asset management fees and commission fees are recognized as the related services are rendered.

Fees earned at a point in time

Fees earned at a point in time are recognized when a customer obtains controls of a promised asset and the Group satisfies a performance obligation.

Commission on negotiation or participation in negotiation for the third party such as trading stocks or other securities, arranging transfer and acquisition of business is recognized as revenue when the transaction has been completed.

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

3.17.3 Net Gains/Losses on Financial Instruments at Fair Value through Profit or Loss

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

- Gain or loss from financial instruments at fair value through profit or loss, excluding interest income calculated by the effective interest rate
- Gain or loss from derivatives for trading, including derivatives for hedging that does not meet the criteria for hedge accounting

3.17.4 Dividend Income

Dividend income is recognized as profit or loss when the right to receive payment is established. Dividend income is recognized as net gain or loss on financial assets/liabilities at fair value through profit or loss or other operating income in depending of the classification of equity securities.

3.18 Employee Compensation and Benefits

3.18.1 Post-employment Benefits:

Defined benefit plans

All post-employment benefits, other than defined contribution plans, are classified as defined benefit plans. The amount recognized as a net defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses including experience adjustments and the effects of changes in actuarial assumptions are recognized in other comprehensive income (loss).

When the total of the present value of the defined benefit obligation minus the fair value of plan assets results in an asset, it is recognized to the extent of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Past service cost is the change in the present value of the defined benefit obligation, which arises when the Group introduces a defined benefit plan or changes the benefits of an existing defined benefit plan. Such past service cost is immediately recognized as an expense for the period.

Defined contribution plans

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

3.18.2 Short-term Employee Benefits

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

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

3.18.3 Share-based Payment

The Group has share grant and mileage stock programs to directors and employee. When the stock grant is exercised the Group either distributes issued stock of KB Financial Group Inc., the Parent Company, or makes payment in cash based on the stock price. The mileage stock is exercised, the Group makes payment in cash based on the stock price of KB Financial Group Inc.

For a share-based payment transaction in which the terms of the arrangement provide the Group with the choice of whether to settle in cash or by issuing equity instruments, the Group determines that it has a present obligation to settle in cash because the Group has a past practice and a stated policy of settling in cash. Therefore, the fair value of the employee service is recognized as expense and accrued expenses over the vesting period. Also, the Group accounts for the mileage stock in accordance with the requirements of cash-settled share-based payment transactions, and recognizes the corresponding liability and expenses at the vesting period.

Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

3.18.4 Termination Benefits

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

3.19 Income Tax Expenses

Income tax expense comprises current tax expense and deferred income tax expense. Current and deferred income tax are recognized as income or expense for the period, except to the extent that the tax arises from a transaction or an event which is recognized, in the same or a different period outside profit or loss, either in other comprehensive income or directly in equity and a business combination.

Income tax expense for the period is recognized based on management’s best estimate of the weighted average annual income tax rate expected for the full financial year.

3.19.1 Current income tax

Current income tax is the amount of income tax payable in respect of the taxable profit (loss) for a period. A difference between the taxable profit and accounting profit may arise when income or expense is included in accounting profit in one period, but is included in taxable profit in a different period. Differences may also arise if there is revenue that is exempt from taxation, or expense that is not deductible in determining taxable profit (loss). Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period

3.19.2 Deferred Income Tax

Deferred income tax is recognized, using the asset-liability method, on temporary differences arising between the taxes based amount of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period. The Group reduces the carrying amount of a deferred income tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets deferred income tax assets and deferred income tax liabilities when the Group has a legally enforceable right to offset current income tax assets against current income tax liabilities; and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

3.19.3 Uncertain Tax Positions

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

3.20 Transactions with the Trust Accounts

Under the Financial Investment Services and Capital Markets Act, the Group recognizes trust accounts (“the trust accounts”) as separate. The borrowings from trust accounts represent transfer of funds in trust accounts into banking accounts. Such borrowings from trust accounts are recorded as receivables from the banking accounts in the trust accounts and as borrowings from trust accounts in the banking accounts. The Group earns trust fees from the trust accounts for its management of trust assets and operations. The reserves for future profits and losses are set up in the trust accounts for profits and losses related to those trust funds with a guarantee of the principal or of the principal and a certain minimum rate of return in accordance with the relevant laws and regulations applicable to trust operations. The reserves are used to provide for the losses on such trust funds and, if the losses incurred are in excess of the reserves, the excess losses are compensation paid as a loss on trust management in other operating expenses and the trust accounts recognize the corresponding compensation as compensation from banking accounts.

3.21 Leases

As explained in Note 2 above, the Group has changed its accounting policy for leases. The impact of the new accounting policies is disclosed in Note 42.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

At inception of a contract, the Group is required to assess whether the contract is, or contains, a lease. Also, at the date of initial application, the Group has assessed whether the contract is, or contains, a lease in accordance with the standard. However, the Group did not reassess all contracts as the Group elected to apply the practical expedient not to apply the standard to contracts that were not previously identified as containing a lease. On the basis of the date of initial application, the Group assesses whether the contract is, or contains, a lease.

A lessee is required to recognize a right-of-use asset (lease assets) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

However, short-term lease (lease that, at the commencement date, has a lease term of 12 months or less) and lease of low-value assets (For example, underlying leased asset under $ 5,000) are permitted to elect exceptional conditions. The Group applies the exemption of the standard for one time lease of real estate (for training purpose) and leases of low-value assets(underlying assets less than ₩ 5 million and $5,000).

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term.

3.22 Operating Segments

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

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

4. Financial Risk Management

4.1 Summary

4.1.1 Overview of Financial Risk Management Policy

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

The note regarding financial risk management provides information about the risks that the Group is exposed to, including the objectives, policies and processes for managing the risks, the methods used to measure the risks, and capital management. Additional quantitative information is disclosed throughout the consolidated financial statements.

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

4.1.2 Risk Management Organization

Risk Management Committee

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

Risk Management Council

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

Risk Management Subcommittee

The Risk Management Subcommittee enforces decisions made by Risk Management Council, and makes practical decisions to implement risk management policies and procedures.

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

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

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

Risk Strategy Group

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

4.2 Credit Risk

4.2.1 Overview of Credit Risk

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

4.2.2 Credit Risk Management

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

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

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

4.2.3 Maximum Exposure to Credit Risk

The Group's maximum exposures of financial instruments excluding equity securities to credit risk without consideration of collateral values as at December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

	2019	2018
Financial assets		
Due from financial institutions [1]	11,786,957	11,831,688
Financial assets at fair value through profit or loss		
Securities	13,446,838	11,883,025
Loans	188,133	212,596
Financial instruments indexed to gold	79,805	78,808
Derivatives	2,317,425	1,613,970
Loans at amortized cost [1]	293,531,433	276,944,202
Financial investments		
Securities at fair value through other comprehensive income	36,116,988	27,682,463
Securities at amortized cost [1]	13,964,339	12,792,526
Loans at fair value through other comprehensive income	344,292	349,547
Other financial assets [1]	5,464,704	4,199,197
	377,240,914	347,588,022
Off-balance sheet items [2]		
Acceptances and guarantees contracts	8,327,494	7,277,136
Financial guarantee contracts	3,305,051	3,135,589
Commitments	87,866,225	81,278,583
	99,498,770	91,691,308
	476,739,684	439,279,330

[1] Due from financial institutions, loans at amortized cost, securities at amortized cost and other financial assets are presented net of allowance.
[2] For details of relevant provisions, see Note 22.

4.2.4 Credit Risk of Loans

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

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

Credit risk exposure

Loans as at December 31, 2019 and 2018, are classified as follows:

(In millions of Korean won)

	2019					
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Financial instruments not applying expected credit losses	Total
		Non-impaired	Impaired			
Financial assets at amortized cost						
Corporate						
Grade 1	77,685,587	1,722,935	837	-	-	79,409,359
Grade 2	55,097,112	4,512,631	6,397	-	-	59,616,140
Grade 3	2,486,531	2,135,130	4,188	-	-	4,625,849
Grade 4	423,926	796,468	4,185	-	-	1,224,579
Grade 5	16,648	344,920	744,335	-	-	1,105,903
	135,709,804	9,512,084	759,942	-	-	145,981,830
Retail						
Grade 1	135,445,215	3,556,937	7,560	-	-	139,009,712
Grade 2	3,125,163	4,249,881	8,278	-	-	7,383,322
Grade 3	158,769	1,305,097	8,312	-	-	1,472,178
Grade 4	9,468	151,552	2,575	-	-	163,595
Grade 5	8,666	423,127	424,964	-	-	856,757
	138,747,281	9,686,594	451,689	-	-	148,885,564
	274,457,085	19,198,678	1,211,631	-	-	294,867,394
Financial assets at fair value through other comprehensive income						
Corporate						
Grade 1	210,718	-	-	-	-	210,718
Grade 2	133,574	-	-	-	-	133,574
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	344,292	-	-	-	-	344,292
Retail						
Grade 1	-	-	-	-	-	-
Grade 2	-	-	-	-	-	-

Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	-	-	-	-	-	-
	344,292	-	-	-	-	344,292
	274,801,377	19,198,678	1,211,631	-	-	295,211,686

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(In millions of Korean won)

	2018					
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Financial instruments not applying expected credit losses	Total
		Non-impaired	Impaired			
Financial assets at amortized cost						
Corporate						
Grade 1	69,619,761	1,451,514	1,573	-	-	71,072,848
Grade 2	54,119,274	4,073,167	1,610	-	-	58,194,051
Grade 3	2,698,199	1,691,008	6,566	-	-	4,395,773
Grade 4	395,707	903,215	40,043	-	-	1,338,965
Grade 5	26,019	342,477	935,447	-	-	1,303,943
	126,858,960	8,461,381	985,239	-	-	136,305,580
Retail						
Grade 1	124,212,610	4,387,477	8,836	-	-	128,608,923
Grade 2	4,171,518	7,058,259	6,218	-	-	11,235,995
Grade 3	140,074	881,415	4,158	-	-	1,025,647
Grade 4	478,701	154,535	5,103	-	-	638,339
Grade 5	8,478	296,087	379,555	-	-	684,120
	129,011,381	12,777,773	403,870	-	-	142,193,024
	255,870,341	21,239,154	1,389,109	-	-	278,498,604
Financial assets at fair value through other comprehensive income						
Corporate						
Grade 1	149,226	25,731	-	-	-	174,957
Grade 2	128,712	45,878	-	-	-	174,590
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	277,938	71,609	-	-	-	349,547
	256,148,279	21,310,763	1,389,109	-	-	278,848,151

(*) Before netting of allowance.

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

Credit risk mitigation by collateral

The quantification of the extent to which collateral and other credit enhancements mitigate credit risk as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

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

(In millions of Korean won)

	2018					
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit loss		Financial instruments applying credit impaired approach	Financial instruments not applying expected credit losses	Total
		Non-impaired	Impaired			
Guarantees	60,020,814	5,864,526	146,818	-	-	66,032,158
Deposits and savings	1,372,286	76,960	5,265	-	-	1,454,511
Property and equipment	2,540,384	97,807	2,461	-	-	2,640,652
Real estate	145,155,068	12,512,423	388,109	-	-	158,055,600
	209,088,552	18,551,716	542,653	-	-	228,182,921

4.2.5 Credit Quality of Securities

The credit quality of financial investments excluding equity securities that are exposed to credit risk as at December 31, 2019 and 2018, are as follows:
(In millions of Korean won)

	2019					
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Financial instruments not applying expected credit losses	Total
		Non-impaired	Impaired			
Securities at amortized cost						
Grade 1	13,894,203	-	-	-	-	13,894,203
Grade 2	33,148	-	-	-	-	33,148
Grade 3	38,230	-	-	-	-	38,230
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	13,965,581	-	-	-	-	13,965,581
Securities at fair value through other comprehensive income						
Grade 1	34,841,376	-	-	-	-	34,841,376
Grade 2	1,273,007	-	-	-	-	1,273,007
Grade 3	2,606	-	-	-	-	2,606
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	36,116,989	-	-	-	-	36,116,989
	50,082,570	-	-	-	-	50,082,570

(In millions of Korean won)

	2018					
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Financial instruments not applying expected credit losses	Total
		Non-impaired	Impaired			
Securities at amortized cost						
Grade 1	12,769,605	-	-	-	-	12,769,605
Grade 2	9,569	-	-	-	-	9,569
Grade 3	14,649	-	-	-	-	14,649
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	12,793,823	-	-	-	-	12,793,823
Securities at fair value through other comprehensive income						
Grade 1	27,120,098	-	-	-	-	27,120,098
Grade 2	559,855	-	-	-	-	559,855
Grade 3	-	-	-	-	-	-
Grade 4	2,510	-	-	-	-	2,510
Grade 5	-	-	-	-	-	-
	27,682,463	-	-	-	-	27,682,463
	40,476,286	-	-	-	-	40,476,286

[1] Before netting of allowance.

The credit qualities of securities, excluding equity securities according to the credit ratings by external rating agencies as at December 31, 2019 are as follows:

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

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

4.2.6 Credit Risk of Due from Financial Institutions

The credit quality of due from financial institutions as at December 31, 2019 and 2018 are classified as follows:

(In millions of Korean won)

	2019				
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Total
		Non-impaired	Impaired		
Due from financial institutions at amortized cost					
Grade 1	10,936,300	-	-	-	10,936,300
Grade 2	149,927	-	-	-	149,927
Grade 3	677,249	-	-	-	677,249
Grade 4	-	-	-	-	-
Grade 5	13,990	13,179	360	-	27,529

11,777,466	13,179	360	-	11,791,005

(In millions of Korean won)

	2018				
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Total
		Non-impaired	Impaired		
Due from financial institutions at amortized cost					
Grade 1	11,035,800	-	-	-	11,035,800
Grade 2	167,900	-	-	-	167,900
Grade 3	608,314	-	-	-	608,314
Grade 4	19,531	-	-	-	19,531
Grade 5	1,691	-	-	-	1,691
	11,833,236	-	-	-	11,833,236

[1] Before netting of allowance.

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

4.2.7 Credit Risk Mitigation of Derivative Financial Instruments

The quantification of the extent to which collateral mitigates credit risk of derivative financial instruments as at December 31, 2019 and 2018, is as follows:

(In millions of Korean won)	2019	2018
Deposits and savings, securities and others	496,294	381,959

4.2.8 Credit Risk Concentration Analysis

Details of the Group’s loans by country as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

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

(In millions of Korean won)

	2018					
	Retail	**Corporate[1]**	**Total**	**%**	**Allowances**	**Carrying amount**
Korea	142,003,442	132,576,712	274,580,154	98.40	(1,524,099)	273,056,055
China	-	2,278,545	2,278,545	0.82	(20,586)	2,257,959
Japan	106	333,918	334,024	0.12	(1,865)	332,159
United States	-	892,958	892,958	0.32	(5,165)	887,793
Europe	-	348,336	348,336	0.12	(498)	347,838
Others	189,476	437,254	626,730	0.22	(2,189)	624,541
	142,193,024	136,867,723	279,060,747	100.00	(1,554,402)	277,506,345

[1] Expected credit loss of loans at fair value through other comprehensive income as at December 31, 2019 and December 31, 2018, are ₩ 582 million and ₩ 1,307 million, respectively.

Details of the Group's corporate loans by industry as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019			
	Loans[1]	**%**	**Allowances**	**Carrying amount**
Financial institutions	13,564,347	9.26	(5,091)	13,559,256
Manufacturing	42,707,287	29.15	(389,602)	42,317,685
Service	62,713,574	42.80	(178,869)	62,534,705
Wholesale and retail	17,900,225	12.22	(97,238)	17,802,987
Construction	2,833,544	1.93	(163,791)	2,669,753
Public	1,170,823	0.80	(2,005)	1,168,818
Others	5,624,455	3.84	(24,794)	5,599,661
	146,514,255	100.00	(861,390)	145,652,865

(In millions of Korean won)	2018			
	Loans[1]	**%**	**Allowances**	**Carrying amount**
Financial institutions	11,118,159	8.12	(5,798)	11,112,361
Manufacturing	42,063,832	30.73	(448,644)	41,615,188
Service	59,278,536	43.31	(249,776)	59,028,760
Wholesale and retail	16,284,464	11.90	(93,091)	16,191,373
Construction	2,640,614	1.93	(283,768)	2,356,846
Public	821,317	0.60	(3,286)	818,031
Others	4,660,801	3.41	(24,512)	4,636,289
	136,867,723	100.00	(1,108,875)	135,758,848

[1] Expected credit loss of loans at fair value through other comprehensive income as at December 31, 2019 and December 31, 2018, are ₩ 582 million and ₩ 1,307 million, respectively.

Details of the Group's retail loans by type as at December 31, 2019 and 2018, are as follows:

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

(In millions of Korean won)	2018			
	Loans	**%**	**Allowances**	**Carrying amount**
Housing purpose	70,178,328	49.35	(28,940)	70,149,388
General purpose	72,014,696	50.65	(416,587)	71,598,109
	142,193,024	100.00	(445,527)	141,747,497

Details of the Group's mortgage loans[1] as at December 31, 2019 and 2018, are as follows:

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

(In millions of Korean won)	2018			
	Loans	**%**	**Allowances**	**Carrying amount**
Group1	6,671,012	7.11	(3,296)	6,667,716
Group2	18,911,235	20.16	(8,322)	18,902,913
Group3	35,580,948	37.94	(8,753)	35,572,195
Group4	32,256,160	34.39	(12,338)	32,243,822
Group5	356,892	0.38	(737)	356,155
Group6	16,776	0.02	(35)	16,741
	93,793,023	100.00	(33,481)	93,759,542

[1] Retail loans for general purpose with the real estate as collateral are included.

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

[1] LTV: Loan to Value ratio

Details of the Group's credit risk concentration of due from financial institutions, securities excluding equity securities and derivative financial instruments as at December 31, 2019 and 2018, are as follows:

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

(In millions of Korean won)	2018			
	Amount	**%**	**Allowances**	**Carrying amount**
Due from financial institutions at amortized cost				
Finance and insurance	11,833,236	100.00	(1,548)	11,831,688
	11,833,236	100.00	(1,548)	11,831,688
Securities at fair value through profit or loss				
Government and government funded institutions	2,755,250	23.19	-	2,755,250
Finance and insurance[1]	7,523,708	63.31	-	7,523,708
Others	1,604,067	13.50	-	1,604,067
	11,883,025	100.00	-	11,883,025
Derivatives				
Government and government funded institutions	39,290	2.43	-	39,290
Finance and insurance	1,485,912	92.07	-	1,485,912
Others	88,768	5.50	-	88,768
	1,613,970	100.00	-	1,613,970
Securities at fair value through other comprehensive income[2]				
Government and government funded institutions	7,844,258	28.34	-	7,844,258
Finance and insurance	17,770,112	64.19	-	17,770,112
Others	2,068,093	7.47	-	2,068,093
	27,682,463	100.00	-	27,682,463
Securities at amortized cost				
Government and government funded institutions	1,937,657	15.15	(4)	1,937,653
Finance and insurance	10,826,102	84.62	(1,287)	10,824,815
Others	30,064	0.23	(6)	30,058
	12,793,823	100.00	(1,297)	12,792,526
	65,806,517		(2,845)	65,803,672

[1] Collective investment securities included in securities at fair value through profit or loss are classified as finance and insurance.

[2] Expected credit loss of securities at fair value through other comprehensive income as at December 31, 2019 and December 31, 2018, are ₩ 2,028 million and ₩ 1,348 million, respectively.

Details of the Group's credit risk of due from financial institutions, securities, excluding equity securities, and derivative financial instruments by country as at December 31, 2019 and 2018, are as follows:

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

(In millions of Korean won)	December 31, 2018			
	Amount	%	Allowances	Carrying amount
Due from financial institutions at amortized cost				
Korea	9,478,190	80.10	-	9,478,190
United States	667,139	5.64	(6)	667,133
Others	1,687,907	14.26	(1,542)	1,686,365
	11,833,236	100.00	(1,548)	11,831,688
Securities at fair value through profit or loss				
Korea	10,524,924	88.57	-	10,524,924
United States	726,271	6.11	-	726,271
Others	631,830	5.32	-	631,830
	11,883,025	100.00	-	11,883,025
Derivatives				
Korea	752,028	46.59	-	752,028
United States	285,460	17.69	-	285,460
France	222,905	13.81	-	222,905
Others	353,577	21.91	-	353,577
	1,613,970	100.00	-	1,613,970
Securities at fair value through other comprehensive income [1]				
Korea	26,139,297	94.43	-	26,139,297
United States	711,946	2.57	-	711,946
Others	831,220	3.00	-	831,220
	27,682,463	100.00	-	27,682,463
Securities at amortized cost				
Korea	11,805,442	92.26	(945)	11,804,497
United States	155,417	1.22	(32)	155,385
United Kingdom	705,790	5.52	(247)	705,543
Others	127,174	1.00	(73)	127,101
	12,793,823	100.00	(1,297)	12,792,526
	65,806,517		(2,845)	65,803,672

[1] Expected credit loss of securities at fair value through other comprehensive income as at December 31, 2019 and December 31, 2018, are ₩ 2,028 million and ₩ 1,348 million, respectively.

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

4.3 Liquidity risk

4.3.1 Overview of Liquidity Risk

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

4.3.2 Liquidity Risk Management and Indicator

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

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

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

4.3.3 Analysis of Remaining Contractual Maturity of Financial Assets and Liabilities

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

The remaining contractual maturity of financial assets and liabilities, excluding derivatives held for cash flow hedging, as at December 31, 2019 and 2018, is as follows:

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

[1] The amounts of ₩ 8,759,558 million which are restricted amount due from the financial institutions as at December 31, 2019 are excluded.
[2] Financial liabilities at fair value through profit or loss derivatives held for trading and financial assets at fair value through profit or loss (excluding loans) are not managed by contractual maturity because they are held for trading or redemption before maturity. Therefore, the carrying amounts are included in the 'On demand' category.
[3] Cash flows of derivative instruments held for hedging are shown at net amounts of cash inflows and outflows by

remaining contractual maturity.
[4] Equity securities designated as financial assets at fair value through other comprehensive income included in the 'On demand' category as most are available for sale at any time. However, in the case of equity securities which are restricted for sale, these will be classified to its respective maturity when the restriction on disposal is released.
[5] Deposits that are contractually repayable on demand or on short notice are included under the 'On demand' category.
[6] Unused lines of credit within commitments are included under the 'On demand' category as payments can be required upon request.
[7] Financial guarantee contracts are included under the 'On demand' category as payments can be required upon request.

(In millions of Korean won)	2018						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial assets							
Cash and due from financial institutions [1]	4,727,159	339,350	178,406	458,164	-	-	5,703,079
Financial assets at fair value through profit or loss [2]	12,043,909	230	7,182	184,881	5,542	90,736	12,332,480
Derivatives held for trading [2]	1,533,650	-	-	-	-	-	1,533,650
Derivatives held for hedging [3]	-	2,289	1,364	16,251	20,025	40,830	80,759
Loans at amortized cost	-	18,705,807	27,929,002	107,831,857	71,668,732	95,363,933	321,499,331
Financial investments	1,898,944	2,176,313	3,646,572	13,634,982	20,703,303	2,454,592	44,514,706
Financial assets at fair value through other comprehensive income [4]	1,898,944	1,418,537	2,278,547	9,765,281	14,987,787	191,966	30,541,062
Securities at amortized cost	-	757,776	1,368,025	3,869,701	5,715,516	2,262,626	13,973,644
Other financial assets	285	2,449,979	520	1,020,442	-	-	3,471,226
	20,203,947	23,673,968	31,763,046	123,146,577	92,397,602	97,950,091	389,135,231
Financial liabilities							
Financial liabilities at fair value through profit or loss [2]	87,168	-	-	-	-	-	87,168
Derivatives held for trading [2]	1,553,858	-	-	-	-	-	1,553,858
Derivatives held for hedging [3]	-	4,091	(4,249)	(14,415)	15,660	31	1,118
Deposits [5]	123,264,494	16,840,316	27,895,787	94,902,004	11,164,154	2,780,594	276,847,349
Debts	872	2,683,213	3,317,577	6,830,511	4,348,308	669,151	17,849,632
Debentures	30,160	702,704	2,368,679	8,329,923	12,113,285	673,863	24,218,614
Other financial liabilities	-	10,451,177	2,206	76,647	60,145	-	10,590,175
	124,936,552	30,681,501	33,580,000	110,124,670	27,701,552	4,123,639	331,147,914
Off-balance sheet items							
Commitments [6]	81,278,583	-	-	-	-	-	81,278,583
Acceptances and guarantees contracts	7,277,136	-	-	-	-	-	7,277,136
Financial guarantee contracts [7]	3,135,590	-	-	-	-	-	3,135,590
	91,691,309	-	-	-	-	-	91,691,309

[1] The amounts of ₩ 9,203,969 million which are restricted amount due from the financial institutions as at

December 31, 2018, are excluded.
[2] Financial liabilities at fair value through profit or loss derivatives held for trading and financial assets at fair value through profit or loss (excluding loans) are not managed by contractual maturity because they are held for trading or redemption before maturity. Therefore, the carrying amounts are included in the 'On demand' category.
[3] Cash flows of derivative instruments held for hedging are shown at net amounts of cash inflows and outflows by remaining contractual maturity.
[4] Equity securities designated as financial assets at fair value through other comprehensive income included in the 'On demand' category as most are available for sale at any time. However, in the case of equity securities which are restricted for sale, these will be classified to its respective maturity when the restriction on disposal is released.
[5] Deposits that are contractually repayable on demand or on short notice are included under the 'On demand' category.
[6] Unused lines of credit within commitments are included under the 'On demand' category as payments can be required upon request.
[7] Financial guarantee contracts are included under the 'On demand' category as payments can be required upon request.

The remaining contractual cash flows of derivatives held for cash flow hedging as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019					
	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Cash flow to be received of net settlement derivatives	38	357	1,015	564	-	1,974
Cash flow to be paid of net settlement derivatives	191	1,340	2,001	342	-	3,874

(In millions of Korean won)	2018					
	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Cash flow to be received of net settlement derivatives	251	2,548	4,871	11,642	-	19,312
Cash flow to be paid of net settlement derivatives	197	129	493	79	-	898

4.4 Market Risk

4.4.1 Concept

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

4.4.2 Risk Management

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

Management Committee and Risk Management Council.

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

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

4.4.3 Trading Position

Definition of a trading position

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

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

Observation method on market risk arising from trading positions

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

Value at Risk (VaR)

i. Value at Risk (VaR)

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

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

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

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

ii. Back-Testing

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

iii. Stress Testing

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

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

However, as the amount of investment property in foreign currencies increases, products evaluated as multiple risk factors (i.e. for foreign currency bonds, ① by product: interest rate product ② by risk factor: interest rate and foreign exchange rate) had a tendency that dispersion effect is excessive due to not reflecting the actual hedge position by products in detail; to prevent which, the Group has decided to use VaR by risk factor from 2018.

VaR at a 99%, excluding Stressed Value at Risks, confidence level of interest rate, stock price and foreign exchange rate risk for trading positions with a ten-day holding period as at December 31, 2019 and 2018, are as follows:

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

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

The required equity capital using the standard method related to the positions which are not measured by VaR as at December 31, 2019 and 2018, is as follows:

(In millions of Korean won)	**2019**	**2018**
Interest rate risk	83,731	112,153
Stock price risk	1,954	19,756
Foreign exchange rate risk	1,850	1,339
	87,535	133,248

Details of risk factors

i. Interest rate risk

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

ii. Stock price risk

Stock price risk arises primarily from stock spot positions held by payment guarantee trust and stock-related derivatives of the Capital Markets Department. These stock price risks are managed through VaR, sensitivity limits and others.

iii. Foreign exchange rate risk

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

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

i. Definition of interest rate risk of banking book

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

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

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

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

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

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

The Bank hedges the interest rate risk through the same back-to-back interest rate swap transaction. The Bank officially documents and manages the risk management strategy for hedge accounting application, risk management purpose, hedging relationship, and methods for assessing compliance with hedge effectiveness.

v. Main assumptions used for calculating ΔEVE, ΔNII

Interest rate risk is measured by considering the cash flows of all interest-sensitive assets, liabilities and off-balance sheet items in the Banking Book. ΔEVE assumes a run-off balance sheet with an outflow view in which existing bank account positions are derecognized and are not replaced by new business.
In addition, ΔEVE is calculated by the cash flows generated by applying contracted interest rates which include commercial margins and other interest rate components are used for ΔEVE. Risk-free interest rate that does not include commercial margins and other interest rate components is applied when discounting the estimated cash flows to present value.
△NII is computed assuming a constant balance sheet, where maturing or repricing cash flows are replaced by new cash flows with identical features with regard to the amount, replaced period and spread components. Interest rate risk for interest rate shock scenarios is calculated considering only loss in each currency. Non-maturity deposits are categorized as retail_transactional, retail_non-

transactional and wholesale according to depositor characteristics and account characteristics. The core deposit rate and upper average maturity cap of each aforementioned category are considered to determine average interest rate repricing maturity of non-maturity deposits. The average interest rate repricing maturity for non-maturity deposits is 2.5 years for core deposits and 1 day for non-core deposits, with the longest interest rate repricing maturity of 5 years. The prepayment rate of fixed-rate loan and early redemption rate of term deposit are estimated based on prepayment amount of fixed-rate loan and early redemption amount of term deposits during a month, respectively.

vi. △EVE, △NII

The Group calculates △EVE by applying six rate shock and stress scenarios, and △NII by applying parallel shock up and down scenarios. The results as at December 31, 2019 are as follows:

(In millions of Korean won)	2019	
	Changes in the Economic Value of Equity Capital	**Changes in net interest income**
Scenario 1 (Parallel up)	483,207	152,013
Scenario 2 (Parallel down)	31,718	9,717
Scenario 3(Steepener)	257,756	-
Scenario 4 (Flattener)	411,237	-
Scenario 5 (Short rate up)	378,380	-
Scenario 6 (Short rate down)	492,047	-
Maximum of Scenarios 1-6	492,047	152,013
Basic capital	27,609,684	-

(*) As of the end of December 2019, interest rate risk was calculated by different method from the previous disclosure due to the revision of the Detailed Supervisory Regulations on Banking Business.

The risk is measured using interest rate VaR, which is the maximum possible amount of loss that can occur at 99.90% confidence on interest rate risk and the results as at December 31, 2018 are as follows:

(In millions of Korean won)	**2018**
Interest Rate VaR	168,282

4.4.5 Financial Assets and Liabilities in Foreign Currencies

Financial assets and liabilities in foreign currencies as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019						
	USD	**JPY**	**EUR**	**GBP**	**CNY**	**Others**	**Total**
Financial assets							
Cash and due from financial institutions	1,914,554	254,502	145,066	33,239	1,148,375	490,021	3,985,757
Financial assets at fair value through profit or loss	1,700,956	3,387	165,330	3,373	-	23,355	1,896,401
Derivatives held for trading	98,786	-	-	-	6,786	-	105,572
Derivatives held for hedging	83,610	-	-	-	-	-	83,610
Loans at amortized cost	14,070,820	465,849	593,530	137,585	1,205,297	613,780	17,086,861
Financial assets at fair value through other comprehensive income	3,953,899	21,267	5,192	-	282,390	37,977	4,300,725
Financial assets at amortized cost	1,026,325	-	-	-	97,844	-	1,124,169
Other financial assets	1,193,680	230,223	289,187	5,178	167,525	87,967	1,973,760
	24,042,630	975,228	1,198,305	179,375	2,908,217	1,253,100	30,556,855
Financial liabilities							
Derivatives held for trading	212,569	6	53	-	7,806	-	220,434
Derivatives held for hedging	35,538	-	-	-	-	-	35,538
Deposits	11,939,600	731,178	761,897	45,340	1,471,566	530,990	15,480,571
Debts	8,576,321	125,096	340,530	118,848	15,092	73,640	9,249,527
Debentures	4,083,040	-	-	-	-	101,967	4,185,007
Other financial liabilities	2,111,089	59,761	97,325	21,583	173,480	163,990	2,627,228
	26,958,157	916,041	1,199,805	185,771	1,667,944	870,587	31,798,305
Off-balance sheet items	16,745,727	32,694	191,210	-	252,369	37,195	17,259,195

(In millions of Korean won)	2018						
	USD	**JPY**	**EUR**	**GBP**	**CNY**	**Others**	**Total**
Financial assets							
Cash and due from financial institutions	1,374,423	307,580	188,508	24,536	1,088,299	362,727	3,346,073
Financial assets at fair value through profit or loss	1,756,048	44,175	69,728	-	-	17,773	1,887,724
Derivatives held for trading	98,101	-	-	-	4,643	-	102,744
Derivatives held for hedging	32,996	-	-	-	-	-	32,996
Loans at amortized cost	12,155,429	333,848	571,077	5,993	990,705	396,228	14,453,280
Financial assets at fair value through other comprehensive income	2,999,581	36,538	5,134	-	125,571	3,699	3,170,523
Financial assets at amortized cost	949,227	-	-	-	38,802	-	988,029
Other financial assets	942,708	297,430	17,184	21,447	251,725	24,149	1,554,643
	20,308,513	1,019,571	851,631	51,976	2,499,745	804,576	25,536,012
Financial liabilities							
Derivatives held for trading	103,451	14	42	-	4,062	-	107,569
Derivatives held for hedging	88,367	-	-	-	-	-	88,367
Deposits	8,948,057	616,551	491,628	48,264	1,263,562	450,340	11,818,402
Debts	8,984,548	90,778	184,173	-	11,393	24,057	9,294,949
Debentures	3,960,312	-	31,979	-	-	42,240	4,034,531
Other financial liabilities	898,222	103,395	130,282	3,566	265,080	41,853	1,442,398
	22,982,957	810,738	838,104	51,830	1,544,097	558,490	26,786,216
Off-balance sheet items	13,573,398	32,619	1,262	-	270,018	7,552	13,884,849

4.5 Operational Risk

4.5.1 Concept

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

4.5.2 Risk Management

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

4.6 Capital Management

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

The Group is required to maintain a minimum Common Equity Tier 1 ratio of at least 4.5%, a minimum Tier 1 ratio of 6.0% and a minimum Total Regulatory Capital of 8.0% as at December 31, 2019. Capital Conservation Buffer of 2.5% and Capital Requirement of Domestic Systemically Important Bank (D-SIB) of 1.0% are additionally applied. Therefore, the Group is required to maintain a capital ratio including a minimum capital ratio and additional capital requirements (a Common Equity Tier 1 Ratio of 8.0% (December 31, 2018: 7.125%), a Tier 1 Ratio of 9.5% (December 31, 2018: 8.625%), and a Total Regulatory Capital Ratio of 11.5% (December 31, 2018: 10.625%)).

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

- Common Equity Tier 1 Capital: Common Equity Tier 1 Capital represents the issued capital that takes the first and proportionately greatest share of any losses and represents the most subordinated claim in liquidation of the Group, and not repaid outside of liquidation. It includes common shares issued, capital surplus, retained earnings, non-controlling interests of consolidated subsidiaries, accumulated other comprehensive income, other capital surplus and others.

- Additional Tier 1 Capital: Additional Tier 1 Capital includes perpetual instruments issued by the Group that meet the criteria for inclusion in Additional Tier 1 capital, and stock surplus resulting from the issue of instruments included in Additional Tier 1 capital and others.

- Tier 2 Capital: Tier 2 Capital represents the capital that takes the proportionate share of losses in the liquidation of the Group. Tier 2 Capital includes a fund raised by issuing subordinated debentures maturing in not less than 5 years that meet the criteria for inclusion in Tier 2 capital, and the allowance for loan losses which are accumulated for assets classified as normal or precautionary in accordance with Regulations on Supervision of Banking Business and others.

Risk weighted asset means the assets weighted according to the inherent risks in the total assets and the possible losses resulting from the errors of internal process and external events which the Group should cover. The Group calculates risk weighted asset by each risk (credit risk, market risk and operational risk) based on Detailed Regulations on Supervision of Banking Business and uses it for its capital ratio calculation. The Group complied with external capital adequacy requirements as at December 31, 2019 and December 31, 2018.

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

The Risk Management Council of the Group determines the Group's risk appetite and allocates internal capital by risk type and business group. Each business group efficiently operates its capital within range of granted internal capital. The Risk Management Department of the Group monitors a management of the limit on internal capital and reports the results to management and the Risk Management Council.

The Group maintains the adequacy of capital through proactive review and approval of the Risk Management Committee when the internal capital is expected to exceed the limits.

Details of the Group's capital adequacy calculation in line with Basel III requirements as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Equity Capital:	29,809,730	27,694,178
Tier I Capital	27,609,684	25,567,995
Common Equity Tier 1 Capital	27,035,161	25,567,995
Additional Tier 1 Capital	574,523	-
Tier II Capital	2,200,046	2,126,183
Risk-weighted assets:	188,075,177	178,433,263
Credit risk[1]	172,985,173	163,693,288
Market risk[2]	5,150,641	4,747,989
Operational risk[3]	9,939,363	9,991,986
Equity Capital (%):	15.85	15.52
Tier I Capital (%)	14.68	14.33
Common Equity Tier 1 Capital (%)	14.37	14.33

[1] Credit risk weighted assets are measured using the Internal Rating-Based Approach an Standardized Approach.
[2] Market risk weighted assets are measured using the Internal Model-Based Approach and Standardized Approach.
[3] Operational risk weighted assets are measured using the Advanced Measurement Approach.

5. Segment Information

5.1 Overall Segment Information and Business Segments

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

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

Financial information by business segment for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean won)	2019				
	Corporate Banking	Retail Banking	Others	Intra-group Adjustment	Total
Operating revenues from external customers	2,557,438	2,979,503	1,782,127	-	7,319,068
Segment operating revenues(expenses)	22,838	-	24,382	(47,220)	-
	2,580,276	2,979,503	1,806,509	(47,220)	7,319,068
Net interest income	2,844,881	3,148,061	370,603	242	6,363,787
Interest income	4,642,555	4,872,937	1,302,085	(37,629)	10,779,948
Interest expense	(1,797,674)	(1,724,876)	(931,482)	37,871	(4,416,161)
Net fee and commission income	349,393	471,869	329,432	(17,398)	1,133,296
Fee and commission income	459,879	577,845	473,637	(27,999)	1,483,362
Fee and commission expense	(110,486)	(105,976)	(144,205)	10,601	(350,066)
Net gains (losses) on financial assets/ liabilities at fair value through profit or loss	(2,527)	-	474,420	(49,269)	422,624
Net other operating income (expense)	(611,471)	(640,427)	632,054	19,205	(600,639)
General and administrative expenses	(1,241,721)	(1,982,375)	(663,618)	295	(3,887,419)
Operating profit before provision for credit losses	1,338,555	997,128	1,142,891	(46,925)	3,431,649
Reversal (provision) for credit losses	125,919	(235,995)	7,582	(1,036)	(103,530)
Operating profit	1,464,474	761,133	1,150,473	(47,961)	3,328,119
Share of profit of associates	-	-	29,240	-	29,240
Net other non-operating income (expense)	(263)	-	(19,741)	(18,883)	(38,887)
Segment profit before income tax expense	1,464,211	761,133	1,159,972	(66,844)	3,318,472
Income tax income (expense)	(404,425)	(209,311)	(265,190)	(467)	(879,393)
Profit for the year	1,059,786	551,822	894,782	(67,311)	2,439,079
Profit attributable to the shareholder of the Parent Company	1,059,786	551,822	894,782	(67,311)	2,439,079
Profit attributable to non-controlling interests	-	-	-	-	-
Total assets [1]	139,496,394	147,468,173	104,297,056	(3,836,585)	387,425,038
Total liabilities [1]	142,063,121	161,834,984	56,127,857	(1,605,157)	358,420,805

[1] Amounts before intra-segment transaction adjustment.

(In millions of Korean won)	2018				
	Corporate Banking	Retail Banking	Others	Intra-group Adjustment	Total
Operating revenues from external customers	2,386,035	2,989,240	1,478,104	-	6,853,379
Segment operating revenues(expenses)	27,687	-	(39,343)	11,656	-
	2,413,722	2,989,240	1,438,761	11,656	6,853,379
Net interest income	2,753,928	2,960,598	386,407	(211)	6,100,722
Interest income	4,267,675	4,547,615	1,227,614	(23,016)	10,019,888
Interest expense	(1,513,747)	(1,587,017)	(841,207)	22,805	(3,919,166)
Net fee and commission income	287,978	490,447	362,846	(18,523)	1,122,748
Fee and commission income	381,481	583,213	486,034	(27,937)	1,422,791

Fee and commission expense	(93,503)	(92,766)	(123,188)	9,414	(300,043)
Net gains (losses) on financial assets/ liabilities at fair value through profit or loss	13,933	-	297,938	14,524	326,395
Net other operating income (expense)	(642,117)	(461,805)	391,570	15,866	(696,486)
General and administrative expenses	(1,091,556)	(1,970,409)	(706,164)	1,134	(3,766,995)
Operating profit before provision for credit losses	1,322,166	1,018,831	732,597	12,790	3,086,384
Reversal (provision) for credit losses	77,224	(179,229)	(273)	8,362	(93,916)
Operating profit	1,399,390	839,602	732,324	21,152	2,992,468
Share of profit of associates	-	-	49,698	-	49,698
Net other non-operating income (expense)	(65)	-	123,936	(79,699)	44,172
Segment profit before income tax expense	1,399,325	839,602	905,958	(58,547)	3,086,338
Income tax income (expense)	(386,764)	(230,891)	(208,403)	(1,082)	(827,140)
Profit for the year	1,012,561	608,711	697,555	(59,629)	2,259,198
Profit attributable to the shareholder of the Parent Company	1,012,561	608,711	697,555	(59,629)	2,259,198
Profit attributable to non-controlling interests	-	-	-	-	-
Total assets [1]	131,303,734	140,814,393	88,399,951	(3,558,820)	356,959,258
Total liabilities [1]	123,880,329	152,173,062	55,478,601	(1,240,600)	330,291,392

[1] Amounts before intra-segment transaction adjustment.

5.2 Services and Geographical Segments

5.2.1 Services Information

Operating revenues from external customers by services for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Corporate banking service	2,557,438	2,386,035
Retail banking service	2,979,503	2,989,240
Other service	1,782,127	1,478,104
	7,319,068	6,853,379

5.2.2 Geographical Information

Geographical operating revenues from external customers for the years ended December 31, 2019 and 2018, and major non-current assets as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
	Revenues from external customers	Major non-current assets	Revenues from external customers	Major non-current assets
Domestic	7,156,642	4,488,801	6,721,355	3,600,570
United States	13,971	9,452	11,727	144
New Zealand	6,946	3,516	6,213	72
China	92,475	12,946	81,620	3,623
Japan	6,692	3,480	4,166	1,210
Myanmar	4,002	1,570	2,675	707
Vietnam	10,449	1,938	7,655	239
Cambodia	14,764	3,944	9,849	2,696
United Kingdom	9,958	1,893	8,119	537
India	3,169	1,533	-	-
Intra-group Adjustment	-	-	-	-
	7,319,068	4,529,073	6,853,379	3,609,798

6. Financial Assets and Financial Liabilities

6.1 Classification and Fair Value

Carrying amount and fair values of financial assets and liabilities as at December 31, 2019 and 2018, are as follows:

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

(In millions of Korean won)	2018	
	Carrying amount	**Fair value**
Financial assets		
Cash and due from financial institutions	14,889,010	14,885,511
Financial assets at fair value through profit or loss	12,257,005	12,257,005
Debt securities	11,883,025	11,883,025
Equity securities	82,576	82,576

Loans	212,596	212,596
Others	78,808	78,808
Derivatives held for trading	1,533,650	1,533,650
Derivatives held for hedging	80,321	80,321
Loans at amortized cost	276,944,202	276,957,040
Financial assets at fair value through other comprehensive income	29,930,955	29,930,955
Debt securities	27,682,464	27,682,464
Equity securities	1,898,944	1,898,944
Loans	349,547	349,547
Securities at amortized cost	12,792,526	12,823,961
Others	4,199,197	4,199,197
	352,626,866	352,667,640
Financial liabilities		
Financial liabilities at fair value through profit or loss	87,168	87,168
Derivatives held for trading	1,553,858	1,553,858
Derivatives held for hedging	88,551	88,551
Deposits	272,484,528	273,131,227
Debts	17,496,056	17,523,408
Debentures	23,163,585	23,445,303
Other financial liabilities	13,297,404	13,297,394
	328,171,150	329,126,909

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

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

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

Debentures	Fair value is determined by using the valuations of external professional valuation institution, which are calculated using market inputs and use of DCF Model to calculate fair value.
Other Financial assets and liabilities	The carrying amounts are reasonable approximation of fair values, without applying DCF Model. These financial instruments are temporary accounts used for other various transactions and their maturities are relatively short or not defined.

Fair value hierarchy

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

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

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

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

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

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

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

The fair value hierarchy of financial assets and liabilities at fair value in the statements of financial position as at December 31, 2019 and 2018, are as follows:

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

In millions of Korean won)	**2018**			
	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities	2,298,811	8,103,073	1,481,141	11,883,025
Equity securities	43,088	-	39,488	82,576
Loans	-	-	212,596	212,596
Others	78,808	-	-	78,808
	2,420,707	8,103,073	1,733,225	12,257,005
Derivatives held for trading	-	1,533,572	78	1,533,650
Derivatives held for hedging	-	80,321	-	80,321
Financial assets at fair value through other comprehensive income				
Debt securities	8,998,246	18,684,218	-	27,682,464
Equity securities	971,367	-	927,577	1,898,944
Loans	-	349,547	-	349,547
	9,969,613	19,033,765	927,577	29,930,955
	12,390,320	28,750,731	2,660,880	43,801,931
Financial liabilities				

Financial liabilities at fair value through profit or loss	87,168	-	-	87,168
Derivatives held for trading	-	1,553,072	786	1,553,858
Derivatives held for hedging	-	88,551	-	88,551
	87,168	1,641,623	786	1,729,577

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

Valuation techniques and inputs of financial assets and liabilities at fair value in the statements of financial position and classified as Level 2 as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

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

(In millions of Korean won)

	Fair value 2018	Valuation techniques	Inputs
Financial assets			
Financial assets at fair value through profit or loss			
Debt securities	8,103,073	DCF Model, Net Asset Value	Discount rate, prices of underlying assets(debt securities, stocks, etc.)
	8,103,073		
Derivatives held for trading	1,533,572	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price and others
Derivatives held for hedging	80,321	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate and others
Financial assets at fair value through other comprehensive income			
Debt securities	18,684,218	DCF Model	Discount rate
Loans	349,547	DCF Model	Discount rate
	19,033,765		
	28,750,731		
Financial liabilities			
Derivatives held for trading	1,553,072	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price and others
Derivatives held for hedging	88,551	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate and others
	1,641,623		

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

The fair value hierarchy of financial assets and liabilities whose fair value is disclosed as at December 31, 2019 and 2018, is as follows:

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

[1] The amounts included in Level 2 are the carrying amounts which are reasonable approximation of the fair values.
[2] The carrying amounts of other financial assets and other financial liabilities that are classified as Level 3 are reasonable approximation of the fair values and presented in the financial statements as at December 31, 2019.

(In millions of Korean won)	2018			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and due from financial institutions[1]	3,057,323	10,827,281	1,000,908	14,885,512
Loans at amortized cost	-	-	276,957,040	276,957,040
Securities at amortized cost	4,126,591	8,697,370	-	12,823,961
Other financial assets[2]	-	-	4,199,197	4,199,197
	7,183,914	19,524,651	282,157,145	308,865,710
Financial liabilities				
Deposits[1]	-	123,778,718	149,352,509	273,131,227
Debts[1]	-	38,403	17,485,005	17,523,408
Debentures	-	23,445,303	-	23,445,303
Other financial liabilities[3]	-	-	13,297,394	13,297,394
	-	147,262,424	180,134,908	327,397,332

[1] The amounts included in Level 2 are the carrying amounts which are reasonable approximation of the fair values.
[2] The amounts of other financial assets included in Level 3 are the carrying amounts which are reasonable approximation of the fair values as at December 31, 2018.
[3] The ₩13,289,339 million of other financial liabilities included in Level 3 are the carrying amounts which are reasonable approximation of fair values as at December 31, 2018.

Valuation techniques and inputs used in the fair value measurement

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

Valuation techniques and inputs of financial assets and liabilities whose fair values are disclosed and classified as Level 2 as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019		
	Fair value	Valuation technique	Inputs
Financial assets			
Securities at amortized cost	9,683,683	DCF Model, Monte Carlo Simulation	Discount rate, Interest rate
Financial liabilities			
Debentures	18,959,416	DCF Model	Discount rate

(In millions of Korean won)	2018		
	Fair value	**Valuation technique**	**Inputs**
Financial assets			
Securities at amortized cost	8,697,370	DCF Model	Discount rate
Financial liabilities			
Debentures	23,445,303	DCF Model	Discount rate

Valuation techniques and inputs of financial assets and liabilities whose fair values are disclosed and classified as Level 3 as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019			
	Fair value	**Valuation techniques**	**Inputs**	**Unobservabl e inputs**
Financial assets				
Cash and due from financial institutions	1,088,432	DCF Model	Credit spread, other spread, interest rate	Credit spread, other spread
Loans at amortized cost	293,767,751	DCF Model	Credit spread, other spread, prepayment rate, interest rate	Credit spread, other spread, prepayment rate
	294,856,183			
Financial liabilities				
Deposits	163,311,669	DCF Model	Other spread, prepayment rate, Interest rate	Other spread, prepayment rate
Debts	19,136,997	DCF Model	Other spread, interest rate	Other spread
	182,448,666			

(In millions of Korean won)	2018			
	Fair value	**Valuation techniques**	**Inputs**	**Unobservable inputs**
Financial assets				
Cash and due from financial institutions	1,000,908	DCF Model	Credit spread, other spread, interest rates	Credit spread, other spread
Loans at amortized cost	276,957,040	DCF Model	Credit spread, other spread, prepayment rate, interest rate	Credit spread, other spread, prepayment rate
	277,957,948			
Financial liabilities				
Deposits	149,352,509	DCF Model	Other spread, prepayment rate, interest rates	Other spread, prepayment rate
Debts	17,485,005	DCF Model	Other spread, interest rates	Other spread
Other financial liabilities	8,055	DCF Model	Other spread, interest rates	Other spread
	166,845,569			

6.2 Level 3 of the Fair Value Hierarchy Disclosure

6.2.1 Valuation Policy and Process of Level 3 Fair Value

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

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

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

Changes in Level 3 of the fair value hierarchy for the years ended December 31 2019 and 2018, are as follows:

(In millions of Korean won)

	2019				
	Financial assets at fair value through profit or loss		Financial investments	Net derivatives financial instruments	
	Securities at fair value through profit or loss	Loans at fair value through profit or loss	Equity securities at fair value through other comprehensive income	Derivatives held for trading	Derivatives held for hedging
Beginning balance	1,520,631	212,596	927,577	(708)	-
Total gains or losses					
- Profit or loss	35,553	10,412	-	3,233	-
- Other comprehensive income	-	-	36,714	-	-
Purchases	617,814	154,005	78,626	-	-
Sales	(276,511)	(188,880)	(1,671)	-	-
Settlements	-	-	-	(2,941)	-
Ending balance	1,897,487	188,133	1,041,246	(416)	-

(In millions of Korean won)

	2018				
	Financial assets at fair value through profit or loss		Financial investments	Net derivatives financial instruments	
	Securities at fair value through profit or loss	Loans at fair value through profit or loss	Equity securities at fair value through other comprehensive income	Derivatives held for trading	Derivatives held for hedging
Beginning balance[1]	1,277,304	132,722	750,036	(771)	704
Total gains or losses					
- Profit or loss	19,789	4,347	-	4,295	(116)
- Other comprehensive income	-	-	124,633	-	-
Purchases	460,309	184,655	53,388	-	-
Sales	(236,705)	(109,128)	(480)	-	-
Settlements	-	-	-	(1,220)	(588)
Transfers into Level 3[2]	-	-	-	(3,012)	-
Transferred from Level 3[2]	(66)	-	-	-	-
Ending balance	1,520,631	212,596	927,577	(708)	-

[1] Restated based on Korean IFRS 1109.

[2] Changes in levels for the financial instruments occurred due to the change in the availability of observable market data.

In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period, and total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period in the statements of comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019		
	Net losses from financial instruments at fair value through profit or loss	**Other operating income**	**Net interest income**
Total gains or losses included in profit or loss for the period	47,801	1,375	22
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	39,472	1,319	-

(In millions of Korean won)	2018		
	Net losses from financial instruments at fair value through profit or loss	**Other operating income**	**Net interest income**
Total gains or losses included in profit or loss for the period	28,103	(405)	617
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	22,187	(289)	43

6.2.3 Sensitivity Analysis of Changes in Unobservable Inputs

Information about fair value measurements using unobservable inputs as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
	Fair value	**Valuation techniques**	**Inputs**	**Unobservable inputs**	**Range of unobservable inputs (%)**	**Relationship of unobservable inputs to fair value**
Financial assets						
Financial assets at fair value through profit or loss						
Debt securities	1,853,440	Monte Carlo Simulation, Net Asset Value, DCF Model	Price of underlying asset, interest rate, dividend yield, volatilities and correlation of underlying asset, discount rate, liquidation value, volatility of the real estate price	Volatilities of the underlying asset	16.80~30.55	Higher the volatility, higher the fair value fluctuation
				Correlation of underlying asset	3.11~95.67	Higher the correlation, higher the fair value fluctuation
				Discount rate	7.47	Lower the discount rate, higher the fair value

				Liquidation value	0.00	Higher the liquidation value, higher the fair value
				Volatility of the real estate disposal price	0.00	Higher the sale price, higher the fair value
Equity securities	44,047	DCF Model, Comparable Company Analysis,	Growth rate, discount rate	Growth rate	0.00	Higher the growth rate, higher the fair value
				Discount rate	5.89~16.15	Lower the discount rate, higher the fair value
Loans	188,133	Tree Model, DCF Model	Stock price, volatility of the stock price	Volatility of the stock price	12.91~48.28	Higher the volatility, higher the fair value fluctuation
				Discount rate	10.81	Lower the discount rate, higher the fair value
Derivatives held for trading						
Stock and index	70	Tree Model	Stock price, Interest rate, volatility of the stock price, dividend rate	Volatility of the stock price	21.85	Higher the volatility, higher the fair value fluctuation
Financial assets at fair value through other comprehensive income						
Equity securities	1,041,247	DCF Model, Comparable Company Analysis, Tree Model	Growth rate, discount rate, volatility of the stock price, stock price	Growth rate	0.00	Higher the growth rate, higher the fair value
				Discount rate	3.04 ~ 16.37	Lower the discount rate, higher the fair value
				Volatility of the stock price	20.97~22.19	Higher the volatility, higher the fair value
	3,126,937					
Financial liabilities						
Derivatives held for trading						
Others	484	MonteCarlo Simulation, DCF Model	Stock price, interest rate, volatility of the stock price, volatility of the interest rate, discount rate	Volatility of the stock price	16.28	Higher the volatility, higher the fair value fluctuation
				Volatility of the interest rate	0.52	Higher the volatility, higher the fair value fluctuation
				Discount rate	1.94 ~ 2.00	Higher the discount rate, lower the fair value
	484					

(In millions of Korean won)

	2018					
	Fair value	**Valuation techniques**	**Inputs**	**Unobservable inputs**	**Range of unobservable inputs (%)**	**Relationship of unobservable inputs to fair value**
Financial assets						
Financial assets at fair value through profit or loss						
Debt securities	1,481,141	Monte Carlo Simulation, Net Asset Value, DCF Model	Price of underlying asset, interest rate, dividend yield, volatilities and correlation of underlying asset, discount rate, liquidation value, volatility of the real estate price	Volatilities of the underlying asset	19.61 ~ 27.62	Higher the volatility, higher the fair value fluctuation
				Correlation of underlying asset	24.57 ~ 69.18	Higher the correlation, higher the fair value fluctuation
				Discount rate	1.95 ~ 4.82	Lower the discount rate, higher the fair value
				Liquidation value	0.00	Higher the liquidation value, higher the fair value
				Volatility of the real estate disposal price	0.00	Higher the sale price, higher the fair value
Equity securities	39,488	DCF Model, Comparable Company Analysis,	Growth rate, discount rate	Growth rate	0.00	Higher the growth rate, higher the fair value
				Discount rate	7.58~14.14	Lower the discount rate, higher the fair value
Loans	212,596	Tree Model	Stock price, volatility of the stock price	Volatility of the stock price	17.66~49.28	Higher the volatility, higher the fair value fluctuation
Derivatives held for trading						
Stock and index	78	Tree Model	Stock price, volatility of the stock price, dividend rate	Volatility of the stock price	25.29	Higher the volatility, higher the fair value fluctuation
Currency	-	DCF Model	Interest rate, foreign exchange rate, loss given default	Loss given default	100.00	Higher the loss given default, lower the fair value
Financial assets at fair value through other comprehensive income						
Equity securities	927,577	DCF Model, Comparable Company Analysis	Growth rate, discount rate	Growth rate	0.00	Higher the growth rate, higher the fair value
				Discount rate	3.87~17.40	Lower the discount rate, higher the fair value
	2,660,880					

Financial liabilities						
Derivatives held for trading						
Others	786	MonteCarlo Simulation, DCF Model	Stock price, interest rate, volatility of the stock price, volatility of the interest rate, discount rate	Volatility of the stock price	20.85	Higher the volatility, higher the fair value fluctuation
				Volatility of the interest rate	0.69	Higher the volatility, higher the fair value fluctuation
				Discount rate	2.19~2.26	Higher the discount rate, lower the fair value
	786					

Sensitivity analysis of changes in unobservable inputs

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

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

(In millions of Korean won)	2019			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities[3, 5]	3,374	(3,429)	-	-
Equity securities[2, 5]	10,906	(3,858)	-	-
Loans[4]	6,362	(4,344)	-	-
Derivatives held for trading[1]	1	(1)	-	-
Financial assets at fair value through other comprehensive income				
Equity securities[2, 5, 6]	-	-	188,090	(94,201)
	20,643	(11,632)	188,090	(94,201)
Financial liabilities				
Derivatives held for trading[1]	17	(17)	-	-
	17	(17)	-	-

(In millions of Korean won)	2018	
	Recognition in profit or loss	Other comprehensive income

	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities[3, 5]	4,231	(4,311)	-	-
Equity securities[2, 5]	5,299	(2,794)	-	-
Loans[4]	129	(46)	-	-
Derivatives held for trading[1]	20	(1)	-	-
Financial assets at fair value through other comprehensive income				
Equity securities[2, 5, 6]	-	-	140,516	(70,691)
	9,679	(7,152)	140,516	(70,691)
Financial liabilities				
Derivatives held for trading[1]	88	(124)	-	-
	88	(124)	-	-

[1] For Derivatives financial instruments, the changes in fair value are calculated by shifting principal unobservable input parameters; such as, price and volatility of underlying asset by ± 10%. For certain derivatives in previous year, the changes in fair value were calculated by shifting the loss given default ratio by ± 1%.

[2] For equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate (-1~1%) and growth rate (0~0.5%).

[3] For beneficiary certificates, it is difficult to measure the sensitivity amounts per changes in input factor for practical reasons; only for those consisted with real estate, the sensitivity amounts are calculated by increasing and decreasing volatilities of real estate disposal price (-1~1%). For equity investments, the sensitivity amounts are calculated by increasing and decreasing the correlations between the liquidation value (-1~1%) and the discount rates (-1~1%). There were no significant correlation among major unobservable inputs.

[4] For loans, the changes in fair value are calculated by shifting principal unobservable input parameters such as stock prices, volatilities of stock prices (± 10%) and discount rate (± 1%).

[5] The amounts of ₩ 1,634,743 million and ₩ 1,437,513 million of financial assets classified as level 3 as at December 31, 2019 and December 31, 2018, respectively, are excluded because it is impracticable to calculate the sensitivity amounts.

[6] For some equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters such as stock prices and volatilities of stock prices by ± 10%.

6.2.4 Day One Gain or Loss

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

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

(In millions of Korean won)	2019	2018
Balance at the beginning of the period (A)	(2,916)	(4,054)
New transactions (B)	-	-
Amounts recognized in profit or loss during the period (C= a+b)	1,138	1,138
a. Amortization	1,138	1,138
b. Settlement	-	-
Balance at the end of the period (A+B+C)	(1,778)	(2,916)

6.3 Carrying Amounts of Financial Instruments by Category

Financial assets and liabilities are measured at fair value or amortized cost. The carrying amounts of financial assets and liabilities by category as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
	Financial instruments at fair value through profit or loss	Financial instruments mandatorily measured at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial assets						
Cash and due from financial institutions	-	-	-	14,481,309	-	14,481,309
Financial assets at fair value through profit or loss	13,866,303	-	-	-	-	13,866,303
Derivatives	2,184,099	-	-	-	133,326	2,317,425
Loans at amortized cost	-	-	-	293,531,433	-	293,531,433
Financial investments	-	36,461,280	1,993,674	13,964,339	-	52,419,293
Other financial assets	-	-	-	5,464,704	-	5,464,704
	16,050,402	36,461,280	1,993,674	327,441,785	133,326	382,080,467

(In millions of Korean won)

	2019			
	Financial instruments at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss	80,235	-	-	80,235
Derivatives	2,132,771	-	36,211	2,168,982
Deposits	-	300,917,482	-	300,917,482
Debts	-	19,141,262	-	19,141,262
Debentures	-	18,739,992	-	18,739,992
Other financial liabilities	-	15,446,504	-	15,446,504
	2,213,006	354,245,240	36,211	356,494,457

(In millions of Korean won)

	2018					
	Financial instruments at fair value through profit or loss	Financial instruments mandatorily measured at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial assets						
Cash and due from financial institutions	-	-	-	14,889,010	-	14,889,010
Financial assets at fair value through profit or loss	12,257,005	-	-	-	-	12,257,005
Derivatives	1,533,650	-	-	-	80,320	1,613,970
Loans at amortized cost	-	-	-	276,944,202	-	276,944,202
Financial investments	-	28,032,010	1,898,944	12,792,526	-	42,723,480
Other financial assets	-	-	-	4,199,197	-	4,199,197
	13,790,655	28,032,010	1,898,944	308,824,935	80,320	352,626,864

(In millions of Korean won)

	2018			
	Financial instruments at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss	87,168	-	-	87,168
Derivatives	1,553,858	-	88,551	1,642,409
Deposits	-	272,484,528	-	272,484,528
Debts	-	17,496,055	-	17,496,055
Debentures	-	23,163,585	-	23,163,585
Other financial liabilities	-	13,297,404	-	13,297,404
	1,641,026	326,441,572	88,551	328,171,149

6.4 Transfer of Financial Assets

6.4.1 Transferred Financial Assets that are Derecognized in Their Entirety

The Group transferred loans and other financial assets that are derecognized in their entirety to SPEs, while the maximum exposure to loss (carrying amount) from its continuing involvement in the derecognized financial assets as at December 31, 2019 and 2018, are as follows :

(In millions of Korean won)

	2019			
	Type of continuing involvement	**Classification of financial instruments**	**Carrying amount of continuing involvement in statement of financial position**	**Fair value of continuing involvement in statement of financial position**
Discovery 2nd Securitization Specialty Co., Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	5,596	5,596
FK 1411 ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	5,428	5,428
AP 3B ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	3,205	3,205
AP 4D ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	6,175	6,175
			20,404	20,404

(In millions of Korean won)

	2018			
	Type of continuing involvement	**Classification of financial instruments**	**Carrying amount of continuing involvement in statement of financial position**	**Fair value of continuing involvement in statement of financial position**
Discovery 2nd Securitization Specialty Co., Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	6,205	6,205
FK 1411 ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	8,883	8,883
AP 3B ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	5,512	5,512
AP 4D ABS Ltd.	Subordinated debt	Financial assets at fair value through profit or loss	13,494	13,494
			34,094	34,094

[1] The recovered portion in excess of the consideration paid attributable to adjustments based on the agreement with the National Happiness Fund for non-performing loans amounts to ₩ 13,731 million as at December 31, 2018.

6.4.2 Securities under Repurchase Agreements and Loaned Securities

The Group continues to recognize the financial assets related to repurchase agreements and securities lending transactions on the statements of financial position since those transactions are not qualified for derecognition even though the Group transfers the financial assets. A financial asset is sold under a reverse repurchase agreement to repurchase the same asset at a fixed price, or loaned under a securities lending agreement to be returned as the same asset. Thus, the Group substantially retains all the risks and rewards of ownership of the financial asset. The amounts of transferred assets and related liabilities as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	
	Carrying amount of transferred assets[1]	**Carrying amount of related liabilities**
Securities under repurchase agreements	871,929	825,710
Loaned securities	788,790	-
Government and public bonds	788,790	-
	1,660,719	825,710

[1] Securities borrowing included 44,988 million.

(In millions of Korean won)	2018	
	Carrying amount of transferred assets	Carrying amount of related liabilities
Securities under repurchase agreements	452,487	436,471
Loaned securities	674,431	-
Government and public bonds	674,431	-
	1,126,918	436,471

6.5 Offsetting Financial Assets and Financial Liabilities

The Group enters into International Swaps and Derivatives Association ("ISDA") master netting agreements and other similar netting arrangements with the Group's derivative and spot exchange counterparties. Similar netting agreements are also entered into with the Group's reverse repurchase, securities and others. Pursuant to these agreements, in the event of default by one party, contracts are to be terminated and receivables and payables are to be offset. Further, as the law allows for the right to offset, domestic uncollected receivables balances and domestic accrued liabilities balances are shown in its net settlement balance in the statement of financial position. Account receivables and account payables related to listed securities and derivatives or OTC derivatives settled by the central counterparty are included in the other financial instruments. As the Group has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, the net amounts of the other financial instruments balances are presented in the statement of financial position.

Details of financial assets subject to offsetting, enforceable master netting arrangements or similar agreements as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
				Related amounts not offset in the statement of financial position		
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Derivatives held for trading	2,184,029	-	2,184,029			
Derivatives held for hedging	133,327	-	133,327	(1,734,044)	(1,210)	582,102
Receivable spot exchange	3,003,910	-	3,003,910	(3,002,566)	-	1,344
Reverse repurchase	6,173,038	-	6,173,038	(6,173,038)	-	-
Domestic exchange settlement debits	31,256,658	(30,733,476)	523,182	-	-	523,182
Other financial instruments	14,827	(6,347)	8,480	-	-	8,480
	42,765,789	(30,739,823)	12,025,966	(10,909,648)	(1,210)	1,115,108

(In millions of Korean won)

	2018					
				Related amounts not offset in the statement of financial position		
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Derivatives held for trading	1,533,572	-	1,533,572			
Derivatives held for hedging	80,321	-	80,321	(1,182,820)	(5,101)	425,972
Receivable spot exchange	1,879,572	-	1,879,572	(1,876,844)	-	2,728
Reverse repurchase	3,021,400	-	3,021,400	(3,021,400)	-	-
Domestic exchange settlement debits	27,413,384	(26,937,034)	476,350	-	-	476,350
Other financial instruments	3,261	(2,098)	1,163	-	-	1,163
	33,931,510	(26,939,132)	6,992,378	(6,081,064)	(5,101)	906,213

Details of financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
				Related amounts not offset in the statement of financial position		
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Derivatives held for trading	2,132,286	-	2,132,286	(1,566,026)	-	602,472
Derivatives held for hedging	36,212	-	36,212			
Payable spot exchange	3,003,464	-	3,003,464	(3,002,566)	-	898
Repurchase[1]	825,710	-	825,710	(825,710)	-	-
Domestic exchange settlement credits	32,806,739	(30,733,476)	2,073,263	(2,073,263)	-	-
Other financial instruments	6,535	(6,347)	188	-	-	188
	38,810,946	(30,739,823)	8,071,123	(7,467,565)	-	603,558

(In millions of Korean won)

	2018					
				Related amounts not offset in the statement of financial position		
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Derivatives held for trading	1,553,072	-	1,553,072	(1,139,240)	(47,745)	454,638
Derivatives held for hedging	88,551	-	88,551			
Payable spot exchange	1,877,400	-	1,877,400	(1,876,844)	-	556
Repurchase[1]	445,724	-	445,724	(445,724)	-	-
Domestic exchange settlement credits	28,616,949	(26,937,034)	1,679,915	(1,679,915)	-	-
Other financial instruments	5,154	(2,098)	3,056	-	-	3,056
	32,586,850	(26,939,132)	5,647,718	(5,141,723)	(47,745)	458,250

7. Due from Financial Institutions

Details of due from financial institutions as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		Financial Institution	Interest rate (%)	2019	2018
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	-	8,117,840	8,723,761
	Due from banking institutions	KEB Hana Bank and others	0.00 ~ 2.75	187,638	268,222
	Due from others	NH Securities Co., Ltd. and others	-	9,608	5,618
				8,315,086	8,997,601
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Wells Fargo Bank, N.A. and others	-	2,346,580	1,733,095
	Time deposits in foreign currencies	Industrial Bank Changsha Branch and others	0.69 ~ 7.80	920,240	876,596
	Due from others	Morganstanley Bank International and others	-	209,099	225,944
				3,475,919	2,835,635
				11,791,005	11,833,236

[1] Before netting of allowance

Restricted due from financial institutions as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)		Financial Institution	2019	2018	Reason for restriction
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	8,117,840	8,723,761	Bank of Korea Act
	Due from others	NH Securities Co., Ltd. and others	9,609	5,618	Derivatives margin account
			8,127,449	8,729,379	
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	490,013	375,130	Bank of Korea Act and others
	Time deposits in foreign currencies	ICBC NEW YORK	23,156	22,362	New York State Banking Law
	Due from others	Morganstanley Bank International and others	118,814	76,930	Derivative transaction margin
			631,983	474,422	
			8,759,432	9,203,801	

Changes in the allowances for due from financial institutions losses

Changes in the allowances for due from financial institutions losses for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean won)	2019		
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses	
		Non-impaired	Impaired
Beginning[1]	1,548	-	-
Transfer between stages	-	-	-
Reversal of credit losses	924	1,210	360
Others(change of currency ratio, etc.)	30	(24)	-
Ending	2,502	1,186	360

(In millions of Korean won)	2018		
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses	
		Non-impaired	Impaired
Beginning[1]	1,530	-	-
Transfer between stages	-	-	-
Reversal of credit losses	10	-	-
Others(change of currency ratio, etc.)	8	-	-
Ending	1,548	-	-

[1] Restated based on Korean IFRS 1109.

8. Assets Pledged as Collaterals

Details of assets pledged as collaterals as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019	
Assets pledged	**Pledgee**	**Carrying amount**	**Reason for the pledge**
Securities at fair value through profit or loss	Korea Exchange and others	280,210	Repurchase agreements
	Kyobo Securities and others	11,145	Derivatives transactions
		291,355	
Securities at fair value through other comprehensive income	Bank of Korea	1,212,021	Borrowings from Bank of Korea
		653,825	Settlement risk of Bank of Korea
	DEUTSCHE BANK AG and others	95,640	Derivatives transactions
		1,961,486	
Securities at amortized cost	Meritz Securities and others	581,268	Repurchase agreements
	Bank of Korea	1,767,559	Borrowings from Bank of Korea
		3,077,151	Settlement risk of Bank of Korea
	KB Securities Co., Ltd.	267,793	Derivatives transactions
	Korea Exchange and others	155,595	Others
		5,849,366	
Mortgage loans	Others	6,487,022	Covered Bond
Building / Land	Samsung Life Insurance Co., Ltd. and others	207,333	Others
		14,796,562	

(*) In addition to the foregoing, the Group provided ₩ 44,988 million of securities borrowing as collateral for the securities under repurchase agreements.

(In millions of Korean won)		2018	
Assets pledged	**Pledgee**	**Carrying amount**	**Reason for the pledge**
Securities at fair value through profit or loss	Korea Exchange and others	210,345	Repurchase agreements
	Korea Securities Finance Corp and others	50,806	Securities lending transactions
	Samsung Futures Inc. and others	20,535	Derivatives transactions
		281,686	
Securities at fair value through other comprehensive income	Bank of Korea	49,948	Borrowings from Bank of Korea
	Bank of Korea	479,784	Settlement risk of Bank of Korea
	Korea Development Bank and others	337,315	Derivatives transactions
		867,047	
Securities at amortized cost	Meritz Securities and others	276,688	Repurchase agreements
	Bank of Korea	1,911,160	Borrowings from Bank of Korea
	Bank of Korea	1,474,529	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	194,258	Derivatives transactions
	Others	156,150	Others
		4,012,785	
Mortgage loans	Others	4,060,863	Covered Bond
Building / Land	Samsung Life Insurance Co., Ltd. and others	209,459	Others
		9,431,840	

The fair value of collateral available to sell or repledge regardless of debtor's default as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	
	Fair value of collateral	**Fair value of collateral sold or repledged**
Securities	6,503,655	-

(In millions of Korean won)	2018	
	Fair value of collateral	**Fair value of collateral sold or repledged**
Securities	3,131,496	-

9. Derivative Financial Instruments and Hedge Accounting

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

Details of derivative financial instruments for trading as at December 31, 2019 and 2018, are as follows:

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

(In millions of Korean won)	2018		
	Notional amount	**Assets**	**Liabilities**
Interest rate			
Futures[1]	857,748	-	-
Swaps[2]	126,608,935	370,004	351,607
Options	13,259,000	158,295	252,243
	140,725,683	528,299	603,850
Currency			
Forwards	65,534,154	533,435	481,187
Futures[1]	419,802	-	-
Swaps	35,977,216	465,774	454,216
Options	2,450,186	6,064	13,608
	104,381,358	1,005,273	949,011
Stock and index			
Futures[1]	2,006	-	-
Options	51,282	78	211
	53,288	78	211
Others	745,160	-	786
	245,905,489	1,533,650	1,553,858

[1] Gains or losses arising from daily mark-to-market futures are reflected in the margin accounts.
[2] Notional amounts of ₩ 116,555,938 million and ₩93,837,816 million as at December 31, 2019 and December 31, 2018, respectively, were traded through the central counterparty clearing house.

The average price condition for future nominal cash flows of hedging instrument by type of hedge accounting as at December 31, 2019 and December 31, 2018, are as follows:

(In millions of Korean won)

	2019						
	1 year	**2 years**	**3 years**	**4 years**	**5 years**	**Over 5 years**	**Total**
Fair value hedge							
The nominal amount of the hedging instrument	757,201	1,548,353	830,440	309,882	466,053	1,414,570	5,326,499
Average price condition(%), (CD and Libor)	2.29	2.70	2.29	3.16	2.50	3.92	2.91
Cash flow hedge							
The nominal amount of the hedging instrument	1,539,874	289,450	521,010	-	-	-	2,350,334
Average price condition(%), (Libor)	2.68	2.65	2.83	-	-	-	2.71
Net investment in a foreign operation hedges							
The nominal amount of the hedging instrument	190,342	-	-	-	-	-	190,342
Average price condition (KRW/USD)	1,175.97	-	-	-	-	-	1,175.97

(In millions of Korean won)

	2018						
	1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
Fair value hedge							
The nominal amount of the hedging instrument	69,134	686,513	1,347,597	567,030	195,392	979,889	3,845,555
Average price condition(%), (CD and Libor)	2.21	2.26	2.65	2.23	3.25	3.66	2.80
Cash flow hedge							
The nominal amount of the hedging instrument	2,167,227	491,964	-	503,145	-	-	3,162,336
Average price condition(%), (Libor)	2.70	3.11	-	2.83	-	-	2.78
Net investment in a foreign operation hedges							
The nominal amount of the hedging instrument	461,104	-	-	-	-	-	461,104
Average price condition (KRW/USD)	1,126.45	-	-	-	-	-	1,126.45

Fair value hedge

Details of fair value hedged items as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019				
		Carrying amount		Accumulated adjusted amount		Changes in the fair value
		Assets	Liabilities	Assets	Liabilities	
Interest rate	Debt securities in Korean won	549,526	-	5,485	-	5,502
	Debt securities in foreign currencies	1,670,838	-	19,243	-	25,540
	Deposits in foreign currencies	-	780,491	-	(18,391)	(62,439)
	Debentures in Korean won	-	351,070	-	21,070	(1,818)
	Debentures in foreign currencies	-	2,067,556	-	41,406	(65,480)
		2,220,364	3,199,117	24,728	44,085	(98,695)

(In millions of Korean won)		2018				
		Carrying amount		Accumulated adjusted amount		Changes in the fair value
		Assets	Liabilities	Assets	Liabilities	
Interest rate	Debt securities in Korean won	465,213	-	1,214	-	6,001
	Debt securities in foreign currencies	702,727	-	(9,790)	-	(1,233)
	Deposits in foreign currencies	-	805,215	-	(89,265)	38,232
	Debentures in Korean won	-	349,252	-	19,252	(2,308)
	Debentures in foreign currencies	-	1,429,457	-	(24,073)	(1,868)
		1,167,940	2,583,924	(8,576)	(94,086)	38,824

Details of derivative instruments designated as fair value hedge as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019			
	Notional amount	Carrying amount		Changes in the fair value
		Assets	Liabilities	
Swaps	5,326,500	129,084	29,675	101,448

(In millions of Korean won)	2018			
	Notional amount	Carrying amount		Changes in the fair value
		Assets	Liabilities	
Swaps	3,845,555	58,934	88,017	(37,637)

Details of the ineffective portion of changes in fair value of derivatives recognized in profit or loss for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
	Hedge ineffectiveness recognized in profit or loss	Hedge ineffectiveness recognized in profit or loss
Interest rate	2,754	1,186

Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Gains and losses on hedging instruments	108,442	(41,472)
Gains and losses on the hedged item attributable to the hedged risk	(105,788)	37,305

	2,654	(4,167)

Cash flow hedge

Details of cash flow hedged items as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	
	Changes in fair value	**Other comprehensive income for cash flow hedge**
Interest rate risk	18,365	(3,691)

(In millions of Korean won)	**2018**	
	Changes in fair value	**Other comprehensive income for cash flow hedge**
Interest rate risk	(7,031)	11,539

Details of derivative financial instruments designated as cash flow hedging instruments as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**			
	Notional amount	**Assets**	**Liabilities**	**Changes in fair value**
Swaps	2,350,334	835	6,537	(18,276)

(In millions of Korean won)	**2018**			
	Notional amount	**Assets**	**Liabilities**	**Changes in fair value**
Swaps	3,162,336	17,022	534	6,961

Gains and losses from cash flow hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Gains and losses on hedging instruments	(18,276)	6,961
Effective gains and losses from cash flow hedging instruments (recognized in other comprehensive income or loss)	(18,108)	6,980
Ineffective gains and losses from cash flow hedging instruments (recognized in profit or loss)	(168)	(19)

Amounts recognized in other comprehensive income and reclassified from equity to profit or loss for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Other comprehensive income or loss	(18,108)	6,980
Reclassification to profit or loss	(2,899)	(1,755)

Income tax effect	5,777	(1,437)
	(15,230)	3,788

As at December 31, 2019, the hedged items subject to cash flow hedge are exposed to the risk of changes in cash flows until June 9, 2022.

Hedges of a net investment in a foreign operation

Details of net investment in a foreign operation as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	
	Changes in fair value	**Other comprehensive income (loss) for hedges of a net investment in a foreign operation**
Currency (foreign currency risk)	9,967	(37,226)

(In millions of Korean won)	**2018**	
	Changes in fair value	**Other comprehensive income (loss) for hedges of a net investment in a foreign operation**
Currency (foreign currency risk)	22,787	(30,960)

Details of derivative financial instruments designated as hedging instruments in hedge of net investment in a foreign operation as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**			
	Notional amount	**Carrying amount**		**Changes in the fair value**
		Assets	**Liabilities**	
Forward exchange contract	190,342	3,407	-	(6,887)
Debentures in foreign currencies	97,255	-	97,255	(3,080)
	287,597	3,407	97,255	(9,967)

(In millions of Korean won)	**2018**			
	Notional amount	**Carrying amount**		**Changes in the fair value**
		Assets	**Liabilities**	
Forward exchange contract	461,104	4,365	-	(19,466)
Debentures in foreign currencies	89,448	-	89,109	(3,321)
	550,552	4,365	89,109	(22,787)

The fair value of non-derivative financial instruments designated as hedging instruments in hedge of net investment in a foreign operation as at December 31, 2019 and 2018, is as follows:

(In millions of Korean won)	**2019**	**2018**
Debentures in foreign currencies	97,737	88,785

Gains or losses from hedging instruments in hedge of net investment in a foreign operation and hedged items attributable to the hedged risk for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Gains and losses on hedging instruments	(9,967)	(35,015)
Effective gains and losses from cash flow hedging instruments (recognized in other comprehensive income or loss)	(9,967)	(35,015)
Ineffective gains and losses from cash flow hedging instruments (recognized in profit or loss)	-	-

Gains or losses on the hedging instruments in hedge of net investment in a foreign operation relating to the effective portion of the hedge recognized in other comprehensive income or loss for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Other comprehensive income or loss	(9,962)	(35,015)
Reclassification to profit or loss	1,317	-
Income tax effect	2,377	9,629
Other comprehensive income or loss after tax	(6,268)	(25,386)

10. Loans at Amortized Cost

Loans as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Loans	294,303,453	277,916,607
Deferred loan origination fees and costs	563,941	581,997
Allowances	(1,335,961)	(1,554,402)
Carrying amount	293,531,433	276,944,202

Loans to banks as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Loans	4,041,247	3,484,211
Allowances	(434)	(620)
Carrying amount	4,040,813	3,483,591

[1] Deferred loan origination fees and costs are included.

Loans to customers other than banks as at December 31, 2019 and 2018 are as follows:

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

(In millions of Korean won)	2018		
	Retail	**Corporate**	**Total**
Loans in Korean won	142,003,442	116,673,099	258,676,541
Loans in foreign currencies	189,582	4,238,278	4,427,860
Domestic import usance bills	-	2,817,174	2,817,174
Off-shore funding loans	-	899,741	899,741
Call loans	-	1,473,397	1,473,397
Bills bought in Korean won	-	3,057	3,057
Bills bought in foreign currencies	-	3,427,368	3,427,368
Guarantee payments under payment guarantee	-	4,104	4,104
Reverse repurchase agreements	-	2,951,400	2,951,400
Privately placed bonds	-	333,751	333,751
	142,193,024	132,821,369	275,014,393
Proportion (%)	51.70	48.30	100.00
Allowances	(445,527)	(1,108,255)	(1,553,782)
	141,747,497	131,713,114	273,460,611

Changes in deferred loan origination fees and costs for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019				
	Beginning	**Increase**	**Decrease**	**Other**	**Ending**
Deferred loan origination costs					
Loans in Korean won	592,175	313,847	(332,725)	-	573,297
Other origination costs	486	826	(398)	-	914
	592,661	314,673	(333,123)	-	574,211
Deferred loan origination fees					
Loans in Korean won	6,322	2,316	(2,503)	-	6,135
Other origination fees	4,342	2,499	(2,707)	1	4,135
	10,664	4,815	(5,210)	1	10,270
	581,997	309,858	(327,913)	(1)	563,941

(In millions of Korean won)	2018				
	Beginning[1]	**Increase**	**Decrease**	**Other**	**Ending**
Deferred loan origination costs					
Loans in Korean won	562,425	333,833	(304,083)	-	592,175
Other origination costs	456	528	(499)	1	486
	562,881	334,361	(304,582)	1	592,661
Deferred loan origination fees					
Loans in Korean won	6,793	2,271	(2,742)	-	6,322
Other origination fees	4,749	832	(1,240)	1	4,342
	11,542	3,103	(3,982)	1	10,664
	551,339	331,258	(300,600)	-	581,997

[1] Restated based on Korean IFRS 1109.

11. Allowances for Loan Losses

Changes in the allowances for loan losses for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019							
	Retails				Corporates			
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach
		Non-impaired	Impaired			Non-impaired	Impaired	
Beginning	170,571	157,214	117,742	-	197,866	295,928	615,081	-
Transfer Between stages								
Transfer to 12-month expected credit losses	157,691	(157,670)	(21)	-	60,005	(46,508)	(13,497)	-
Transfer to lifetime expected credit losses (Non-impaired)	(140,407)	149,809	(9,402)	-	(53,662)	136,473	(82,811)	-
Transfer to lifetime expected credit losses (Impaired)	(280)	(45,410)	45,690	-	(2,097)	(36,462)	38,559	-
Write-offs	(2)	24	(322,075)	-	-	2	(217,532)	-
Disposal	(467)	(4)	(766)	-	-	-	(8,909)	-
Provision (reversal) for loan losses[1,2]	(7,875)	72,715	288,956	-	(9,172)	(91,087)	100,381	-
Others (change of currency ratio, etc.)	55	179	(1,696)	-	1,580	2,438	(25,186)	-
Ending	179,286	176,857	118,428	-	194,520	260,784	406,086	-

[1] Provision (reversal) for credit losses in statement of comprehensive income also includes provision (reversal) for unused commitments and guarantees (Note 22.(2)), provision (reversal) for financial guarantee contracts (Note 22.(4)), provision (reversal) of allowance for other financial assets (Note 17.(2)), provision (reversal) of allowance for due from financial institutions (Note 7.(3)) and provision (reversal) of allowance for debt securities (Note 12.(5)).

[2] Recovery of written-off loans amounting to ₩ 241,372 million is included.

(In millions of Korean won)

	2018							
	Retails				Corporates			
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach
		Non-impaired	Impaired			Non-impaired	Impaired	
Beginning[1]	162,111	155,623	133,002	-	193,359	263,721	759,367	-
Transfer between stages								
Transfer to 12-month expected credit losses	101,441	(101,375)	(66)	-	37,149	(36,251)	(897)	-
Transfer to lifetime expected credit losses (Non-impaired)	(90,045)	102,159	(12,114)	-	(34,450)	44,741	(10,291)	-
Transfer to lifetime expected credit losses (Impaired)	(753)	(43,126)	43,880	-	(2,289)	(30,694)	32,982	-
Write-offs	-	(2)	(297,228)	-	-	(5)	(228,900)	-
Disposal	(248)	(5)	(1,003)	-	(73)	-	(14,172)	-
Provision (reversal) for loan losses[2,3]	(2,075)	43,621	250,848	-	3,438	53,762	51,051	-
Others (change of currency ratio, etc.)	140	319	423	-	732	654	25,941	-
Ending	170,571	157,214	117,742	-	197,866	295,928	615,081	-

[1] Restated based on Korean IFRS 1109.
[2] Provision (reversal) for credit losses in statement of comprehensive income also includes provision (reversal) for unused commitments and guarantees (Note 22.(2)), provision(reversal) for financial guarantee contracts (Note 22.(4)), provision(reversal) of allowance for other financial assets (Note 17.(2)), provision (reversal) of allowance for due from financial institutions (Note 7.(3)) and provision(reversal) of allowance for debt securities (Note 12.(5)).
[3] Recovery of written-off loans amounting to ₩ 284,493 million is included.

The loan which were written-off but the claims has not been forfeited (i.e. its extinctive prescription did not occur, and that are not collected) amounts to ₩ 9,149,486 million and ₩ 9,712,704 million as at December 31, 2019 and December 31, 2018.

Changes in the gross carrying amounts of loans

Changes in the gross carrying amounts of loans that significantly affect allowances for loan losses for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

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

(In millions of Korean won)

	2018			
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach
		Non-impaired	Impaired	
Beginning[1]	229,155,046	22,264,683	1,536,734	-
Transfer between stages				
Transfer to 12-month expected credit losses	7,505,305	(7,465,523)	(39,782)	-
Transfer to lifetime expected credit losses (Non-impaired)	(10,092,301)	10,144,226	(51,926)	-
Transfer to lifetime expected credit losses (Impaired)	(638,686)	(761,893)	1,400,579	-
Write-offs	-	(7)	(526,127)	-
Disposal	(484,646)	(3,817)	(190,401)	-
Net increase(decrease) (Execution, repayment and others)	30,425,623	(2,938,516)	(739,967)	-
Ending	255,870,341	21,239,153	1,389,110	-

[1]Restated based on Korean IFRS 1109.

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

Details of financial assets at fair value through profit or loss and financial investments as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Financial assets at fair value through profit or loss		
Debt securities		
Government and public bonds	1,974,113	1,948,984
Financial bonds	6,368,442	4,933,859
Corporate bonds	1,772,550	1,897,070
Asset-backed securities	100,101	59,807
Beneficiary certificates	2,283,046	2,341,301
Equity investments	209,260	164,777
Derivative-linked securities	160,576	126,417
Other debt securities	578,751	410,810
Equity securities		
Stocks	151,526	82,576
Loans		
Private placed corporate bonds	150,276	179,714
Other loans	37,857	32,882
Others		
Financial instruments indexed to the price of gold	79,805	78,808
	13,866,303	12,257,005
Financial Investments		
Financial assets at fair value through other comprehensive income		
Debt securities		
Government and public bonds	8,172,111	2,941,069
Financial bonds	18,110,228	16,902,114
Corporate bonds	9,218,759	6,971,282
Asset-backed securities	615,890	867,998
Equity securities		
Stocks	1,954,173	1,861,901
Equity investments	39,501	37,043
Loans		
Private placed corporate bonds	344,292	349,547
	38,454,954	29,930,954
Financial assets at amortized cost		
Debt securities		
Government and public bonds	538,968	544,926
Financial bonds	7,607,567	6,245,768
Corporate bonds	1,753,941	1,413,022
Asset-backed securities	4,065,105	4,590,107
Allowance	(1,242)	(1,297)
	13,964,339	12,792,526
	52,419,293	42,723,480

Dividend incomes from the equity securities designated at fair value through other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)		2019	
		From the financial asset derecognized	**From the remaining financial asset**
Stocks	Listed	-	26,121
	Unlisted	-	17,025
Equity investments		-	-
		-	43,146

(In millions of Korean won)		2018	
		From the financial asset derecognized	**From the remaining financial asset**
Stocks	Listed	-	22,173
	Unlisted	-	14,508
Equity investments		-	2,256
		-	38,937

The derecognized equity securities at fair value through other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)		2019	
		Disposal price[1]	**Accumulated OCI as at disposal date**
Stocks	Listed	18,342	(25,652)
	Unlisted	1,671	169
		20,013	(25,483)

(In millions of Korean won)		2018	
		Disposal price[1]	**Accumulated OCI as at disposal date**
Stocks	Listed	26,877	18,330
	Unlisted	480	480
		27,357	18,810

[1] In accordance with the resolution of the creditor groups and the joint sales agreement, the Group disposed of stocks acquired by a debt to equity swap.

Provision, and reversal for the allowance of financial investments for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**		
	Impairment losses	**Reversal of impairment**	**Total**
Debt instruments at fair value through other comprehensive income	(1,330)	365	(965)
Loans at fair value through other comprehensive income	(170)	947	777
Securities at amortized cost	(216)	271	55
	(1,716)	1,583	(133)

(In millions of Korean won)	**2018**		
	Impairment losses	**Reversal of impairment**	**Total**
Debt instruments at fair value through other comprehensive income	(877)	342	(535)
Loans at fair value through other comprehensive income	(905)	825	(80)
Securities at amortized cost	(202)	282	80
	(1,984)	1,449	(535)

Changes in the allowances for financial investments for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**		
	Financial instruments applying 12-month expected credit losses	**Financial instruments applying lifetime expected credit losses**	
		Non-impaired	**Impaired**
Beginning	3,758	193	-
Transfer between stages	-	-	-
Transfer to 12-month expected credit losses	189	(189)	-
Transfer to lifetime expected credit losses	(669)	669	-
Disposal	(329)	-	-
Provision (reversal) for loan losses	834	(701)	-
Others (change of currency ratio, etc.)	38	28	-
Ending	3,821	-	-

(In millions of Korean won)	2018		
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses	
		Non-impaired	Impaired
Beginning[1]	3,042	482	-
Transfer between stages			
Transfer to 12-month expected credit losses	125	(125)	-
Transfer to lifetime expected credit losses	-	-	-
Disposal	(171)	-	-
Provision (reversal) for loan losses	715	(180)	-
Others (change of currency ratio, etc.)	48	16	-
Ending	3,759	193	-

[1] Prepared in accordance with Korean IFRS 1109.

13. Investments in Associates

Investments in associates as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Korea Credit Bureau Co., Ltd.[1]	9.00	4,500	5,991	5,991	Credit information	Korea
Balhae Infrastructure Fund[1]	12.61	105,213	101,390	101,390	Investment finance	Korea
KB GwS Private Securities Investment Trust	20.93	89,124	108,026	108,026	Investment finance	Korea
Incheon Bridge Co., Ltd. [1]	14.99	9,159	(14,746)	-	Operation of highways and related facilities	Korea
KB Sprott Renewables No.1. Private Equity Fund[1]	30.00	1,327	1,031	1,031	Investment finance	Korea
KB Digital innovation & Growth New Technology Business Investment Fund[1]	45.00	2,250	2,030	2,030	Discovery of and investment in promising FinTech-business venture	Korea
KB12-1 Venture Investment Partnership[2]	80.00	14,000	53,535	53,535	Investment finance	Korea
Future Planning KB Start-up Creation Fund[2]	50.00	9,900	15,021	15,021	Investment finance	Korea
KoFC POSCO HANWHA KB Shared Growth No.2.	20.00	10,376	10,892	10,892	Investment finance	Korea
KB High-tech Company Investment Fund[2]	50.00	13,350	31,904	31,904	Investment finance	Korea
Aju Good Technology Venture Fund	38.46	19,998	23,016	23,016	Investment finance	Korea
KB-KDBC New Technology Business Investment Fund[2]	33.33	10,000	9,494	9,494	Investment finance	Korea
KB-TS Technology Venture Private Equity Fund[2]	30.00	10,620	10,570	10,570	Investment finance	Korea
KB Intellectual Property Fund	37.50	9,000	8,514	8,514	Investment finance	Korea

2[2]						
KB Digital Innovation Investment Fund Limited partnership[2]	25.74	32,200	31,371	31,371	Investment finance	Korea
KB-Brain KOSDAQ Scale-up Fund[2]	21.28	11,000	10,252	10,252	Investment finance	Korea
KB Global Platform Fund[2]	22.73	19,500	18,779	18,779	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund[2]	29.53	300	278	278	Investment finance	Korea
Shinla Construction Co., Ltd. [3]	20.17	-	(551)	-	Specialty construction	Korea
Terra Corporation[3]	24.06	-	2	-	Manufacture of fabricated and processed metal products	Korea
MJT&I Corp. [3]	22.89	-	(613)	116	Wholesale of other merchandise	Korea
Jungdong Steel Co., Ltd. [3]	42.65	-	(433)	-	Wholesale of primary metal	Korea
Doosung Metal Co., Ltd[3]	26.49	-	(62)	-	Manufacture of metal door, windows, shutter and relevant products	Korea
Shinhwa Underwear Co., Ltd. [3]	26.05	-	16	256	Manufacture of underwear and sleepwear	Korea
DPAPS Co., Ltd. [3]	38.62	-	-	-	Wholesale of paper	Korea
Jaeyang Industry Co., Ltd. [3]	20.86	-	(552)	-	Manufacture of pouches, cases, and bags	Korea
Kendae Co., Ltd. [3]	41.01	-	(252)	98	Screen Printing	Korea
Jinseung Tech Co., Ltd. [3]	30.04	-	(194)	-	Manufacture of other general-purpose machinery n.e.c.	Korea
Dongjo Co., Ltd. [3]	29.29	-	806	115	Wholesale of agricultural and forestry machinery and equipment	Korea
Korea NM Tech Co., Ltd. [3]	22.41	-	552	-	Manufacture of motor vehicles, trailers and semitrailers	Korea
Jungdo Co., Ltd. [3]	25.34	-	1,492	-	Office, commercial and institutional building construction	Korea
Dae-A Leisure Co., Ltd. [3]	49.36	-	1,613	578	Earth works	Korea
Chong Il Machine & Tools Co., Ltd. [3]	20.40	-	(126)	-	Wholesale machinery and equipment	Korea
Imt Technology Co., Ltd. [3]	25.29	-	22	3	Computer Peripherals distribution	Korea
Iwon Alloy Co., Ltd. [3]	23.20	-	394	-	Manufacture of smelting, refining and alloys	Korea
Carlife Co., Ltd. [3]	24.39	-	(75)	-	Publishing of magazines and periodicals (publishing industry)	Korea
Computerlife Co., Ltd. [3]	45.71	-	(260)	69	Publishing of magazines and periodicals (publishing industry)	Korea
SKYDIGITAL INC.[3]	20.40	-	(248)	-	Manufacture of Multimedia machine	Korea
Jo Yang Industrial Co., Ltd.[3]	22.77	-	75	-	Manufacture of Special Glasses	Korea
IL-KWANG ELECTRONIC MATERIALS CO., LTD[3]	29.06	-	(398)	-	Manufacture of electronic parts	Korea
SO-MYUNG RECYCLING CO., LTD.[3]	20.23	-	184	-	Manufacture of nonferrous metal	Korea
IDTECK CO., LTD[3]	32.80	-	(103)	-	Other manufacturing of wireless	Korea

Seyoon Development Company[3]	26.95	-	2	-	Civil engineering facility construction industry	Korea
PIP System CO., LTD[3]	20.72	-	27	-	Print equipment	Korea
PT Bank Bukopin TBK[4,5]	22.00	116,422	115,321	121,382	Bank, foreign currency work	Indonesia
		488,239	543,987	564,711		

(In millions of Korean won)	2018					
	Ownership (%)	**Acquisition cost**	**Share of net asset amount**	**Carrying amount**	**Industry**	**Location**
Korea Credit Bureau Co., Ltd.[1]	9.00	4,500	5,941	5,941	Credit information	Korea
Balhae Infrastructure Fund[1]	12.61	104,621	108,050	108,050	Investment finance	Korea
KB GwS Private Securities Investment Trust	20.93	89,124	106,613	106,613	Investment finance	Korea
Incheon Bridge Co., Ltd. [1]	14.99	9,159	(16,689)	-	Operation of highways and related facilities	Korea
KB Digital innovation & Growth New Technology Business Investment Fund[1]	45.00	1,125	1,079	1,079	Discovery of and investment in promising FinTech-business venture	Korea
KB12-1 Venture Investment Partnership[2]	80.00	17,400	49,912	49,912	Investment finance	Korea
Future Planning KB Start-up Creation Fund[2]	50.00	14,300	18,069	18,069	Investment finance	Korea
KoFC KBIC Frontier Champ 2010-5(PEF)	30.00	90	140	140	Investment finance	Korea
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	20.00	10,376	11,681	11,681	Investment finance	Korea
KB High-tech Company Investment Fund[2]	50.00	20,300	22,563	22,563	Investment finance	Korea
Aju Good Technology Venture Fund	38.46	18,038	18,134	18,134	Investment finance	Korea
KB-KDBC New Technology Business Investment Fund[2]	33.33	7,500	7,297	7,297	Investment finance	Korea
KBTS Technology Venture Private Equity Fund[2]	30.00	7,620	7,381	7,381	Investment finance	Korea
KB IP Investment Fund Ⅱ[2]	37.50	3,000	2,942	2,942	Investment finance	Korea
KB Digital Innovation Investment Fund Limited partnership[2]	25.74	7,700	7,617	7,617	Investment finance	Korea
KB-Brain KOSDAQ Scale-up Fund[2]	21.28	4,000	3,966	3,966	Investment finance	Korea
KB Star office private real estate Investment Trust No.1	21.05	20,000	20,252	20,252	Investment finance	Korea
Shinla Construction Co., Ltd. [3]	20.17	-	(551)	-	Specialty construction	Korea
Terra Corporation[3]	24.06	-	2	-	Manufacture of fabricated and processed metal products	Korea
MJT&I Corp. [3]	22.89	-	(606)	122	Wholesale of other merchandise	Korea
Jungdong Steel Co., Ltd. [3]	42.65	-	(433)	-	Wholesale of primary metal	Korea
Doosung Metal Co., Ltd[3]	26.49	-	(16)	-	Manufacture of metal door, windows, shutter and relevant products	Korea

Shinhwa Underwear Co., Ltd. [3]	26.05	-	(57)	182	Manufacture of underwear and sleepwear	Korea
DPAPS Co., Ltd. [3]	38.62	-	14	-	Wholesale of paper	Korea
Jaeyang Industry Co., Ltd. [3]	20.86	-	(552)	-	Manufacture of pouches, cases, and bags	Korea
Kendae Co., Ltd. [3]	41.01	-	(252)	98	Screen Printing	Korea
Jinseung Tech Co., Ltd. [3]	30.04	-	(176)	-	Manufacture of other general-purpose machinery n.e.c.	Korea
Dongjo Co., Ltd. [3]	29.29	-	806	115	Wholesale of agricultural and forestry machinery and equipment	Korea
Korea NM Tech Co., Ltd. [3]	22.41	-	552	-	Manufacture of motor vehicles, trailers and semitrailers	Korea
Jungdo Co., Ltd. [3]	25.34	-	1,492	-	Office, commercial and institutional building construction	Korea
Dae-A Leisure Co., Ltd. [3]	49.36	-	1,613	578	Earth works	Korea
Chong Il Machine & Tools Co., Ltd. [3]	20.40	-	(107)	-	Wholesale machinery and equipment	Korea
Imt Technology Co., Ltd. [3]	25.29	-	18	-	Computer Peripherals distribution	Korea
Iwon Alloy Co., Ltd. [3]	23.20	-	394	-	Manufacture of smelting, refining and alloys	Korea
Carlife Co., Ltd. [3]	24.39	-	(75)	-	Publishing of magazines and periodicals (publishing industry)	Korea
Computerlife Co., Ltd. [3]	45.71	-	(329)	-	Publishing of magazines and periodicals (publishing industry)	Korea
SKYDIGITAL INC.[3]	20.40	-	(142)	-	Manufacture of Multimedia machine	Korea
Jo Yang Industrial Co., Ltd.[3]	22.77	-	75	-	Manufacture of Special Glasses	Korea
PT Bank Bukopin TBK[4,5]	22.00	116,422	106,484	113,932	Bank, foreign currency work	Indonesia
		455,275	483,102	506,664		

[1] As at December 31, 2019 and December 31, 2018, the Group is represented in the governing bodies of its associates. Therefore, the Group has significant influence over the decision-making process relating to their financial and business policies.

[2] As at December 31, 2019 and December 31 2018, the Group is a partner in a limited partnership and does not have the right to control over these entities.

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

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

[5] The fair value of PT Bank Bukopin TBK's common stock based on its quoted market price is ₩47,709 million and ₩53,540 million as at December 31, 2019 and December 31, 2018.

Although the Group holds more than 20% of ownership in many investment trusts including Hanbando BTL Private Special Asset Fund, those investment trusts are not recognized as associates of the Group because the Bank's influence to those trust is limited according to the trust agreement. In addition, the Group holds more than 20% of its ownership in nine companies including Orient shipyard Co., Ltd., but those companies are not recogniazed as associates of the Bank bacause the Group's influence to those companies is limited due to the status of those companies such as bankruptcy and rehabilitation.

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

(In millions of Korean won)

	2019[1]						
	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains and losses and others	Carrying amount
Korea Credit Bureau Co., Ltd.	96,855	30,289	10,000	66,566	5,991	-	5,991
Balhae Infrastructure Fund	806,218	1,854	834,695	804,364	101,390	-	101,390
KB GwS Private Securities Investment Trust	522,865	741	425,814	522,124	108,026	-	108,026
Incheon Bridge Co., Ltd.	609,194	707,563	61,096	(98,369)	(14,746)	14,746	-
KB Sprott Renewables No.1. Private Equity Fund	3,686	249	9,640	3,437	1,031	-	1,031
KB Digital Innovation & Growth New Technology Business Investment Fund	4,510	-	5,000	4,510	2,030	-	2,030
KB12-1 Venture Investment Partnership	67,896	977	17,500	66,919	53,535	-	53,535
Future Planning KB Start-up Creation Fund	32,704	2,662	19,800	30,042	15,021	-	15,021
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	55,524	1,063	51,880	54,461	10,892	-	10,892
KB High-tech Company Investment Fund	64,125	317	26,700	63,808	31,904	-	31,904
Aju Good Technology Venture Fund	60,675	828	52,000	59,847	23,016	-	23,016
KB-KDBC New Technology Business Investment Fund	29,086	603	30,000	28,483	9,494	-	9,494
KBTS Technology Venture Private Equity Fund	36,445	1,212	35,400	35,233	10,570	-	10,570
KB IP Investment FundⅡ	22,708	4	24,000	22,704	8,514	-	8,514
KB Digital Innovation Investment Fund Limited partnership	122,153	255	125,120	121,898	31,371	-	31,371
KB-Brain KOSDAQ Scale-up Fund	48,369	185	51,700	48,184	10,252	-	10,252
KB Global Platform Fund	85,314	2,686	85,800	82,628	18,779	-	18,779
KB-UTC Inno-Tech Venture Fund	1,016	75	1,016	941	278	-	278
PT Bank Bukopin TBK[2]	8,148,013	7,623,829	106,536	524,184	115,321	6,061	121,382

(In millions of Korean won)

	2019[1]				
	Operating revenues	Profit (Loss)	Other comprehen-sive income	Comprehen-sive income (loss)	Dividends
Korea Credit Bureau Co., Ltd.	91,200	1,480	-	1,480	135
Balhae Infrastructure Fund	62,113	(3,153)	-	(3,153)	6,855
KB GwS Private Securities Investment Trust	42,503	41,524	-	41,524	7,276
Incheon Bridge Co., Ltd.	107,178	9,127	-	9,127	-
KB Sprott Renewables No.1. Private Equity Fund	1	(986)	-	(986)	-
KB Digital Innovation & Growth New Technology Business Investment Fund	8	(388)	-	(388)	-
KB12-1 Venture Investment Partnership	15,082	8,778	-	8,778	-
Future Planning KB Start-up Creation Fund	5,831	2,704	-	2,704	-
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	4,077	(3,911)	-	(3,911)	-
KB High-tech Company Investment Fund	35,565	32,581	-	32,581	-
Aju Good Technology Venture Fund	9,288	7,734	-	7,734	-
KB-KDBC New Technology Business Investment Fund	371	(638)	-	(638)	-
KBTS Technology Venture Private Equity Fund	1,643	632	-	632	-
KB IP Investment FundⅡ	70	(1,141)	-	(1,141)	-
KB Digital Innovation Investment Fund Limited partnership	2,564	(2,900)	-	(2,900)	-
KB-Brain KOSDAQ Scale-up Fund	138	(3,355)	-	(3,355)	-
KB Global Platform Fund	250	(3,172)	-	(3,172)	-
KB-UTC Inno-Tech Venture Fund	-	(75)	-	(75)	-
PT Bank Bukopin TBK	721,169	(5,612)	45,780	40,168	-

(In millions of Korean won)

	2018[1]						
	Total assets	**Total liabilities**	**Paid-in capital**	**Equity**	**Share of net asset amount**	**Unrealized gains and losses and others**	**Carrying amount**
Korea Credit Bureau Co., Ltd.	88,797	22,788	10,000	66,009	5,941	-	5,941
Balhae Infrastructure Fund	859,040	1,843	829,995	857,197	108,050	-	108,050
KB GwS Private Securities Investment Trust	516,115	741	425,814	515,374	106,613	-	106,613
Incheon Bridge Co., Ltd.	617,560	728,896	61,096	(111,336)	(16,689)	16,689	-
KB Digital Innovation & Growth New Technology Business Investment Fund	2,398	-	2,500	2,398	1,079	-	1,079
KB12-1 Venture Investment Partnership	63,628	1,238	21,750	62,390	49,912	-	49,912
Future Planning KB Start-up Creation Fund	38,889	2,751	28,600	36,138	18,069	-	18,069
KoFC KBIC Frontier Champ 2010-5(PEF)	469	3	300	466	140	-	140
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	59,464	1,061	51,880	58,403	11,681	-	11,681
KB High-tech Company Investment Fund	45,402	276	40,600	45,126	22,563	-	22,563
Aju Good Technology Venture Fund	47,216	66	46,900	47,150	18,134	-	18,134
KB-KDBC New Technology Business Investment Fund	22,492	602	22,500	21,890	7,297	-	7,297
KBTS Technology Venture Private Equity Fund	24,810	208	25,400	24,602	7,381	-	7,381
KB IP Investment FundⅡ	7,848	3	8,000	7,845	2,942	-	2,942
KB Digital Innovation Investment Fund Limited partnership	29,601	3	29,920	29,598	7,617	-	7,617
KB-Brain KOSDAQ Scale-up Fund	18,820	181	18,800	18,639	3,966	-	3,966
KB Star office private real estate Investment Trust No.1	218,025	121,828	95,000	96,197	20,252	-	20,252
PT Bank Bukopin TBK[2]	7,195,249	6,711,233	106,536	484,016	106,484	7,448	113,932

(In millions of Korean won)

	2018[1]				
	Operating revenues	Profit (Loss)	Other comprehensive income	Comprehensive income (loss)	Dividends
Korea Credit Bureau Co., Ltd.	78,018	9,901	-	9,901	113
Balhae Infrastructure Fund	61,525	54,241	-	54,241	6,804
KB GwS Private Securities Investment Trust	42,502	41,524	-	41,524	6,385
Incheon Bridge Co., Ltd.	94,373	(2,757)	-	(2,757)	-
KB Digital Innovation & Growth New Technology Business Investment Fund	7	(82)	(21)	(103)	-
KB12-1 Venture Investment Partnership	38,942	35,556	-	35,556	10,640
Future Planning KB Start-up Creation Fund	6,826	5,467	-	5,467	2,600
KoFC KBIC Frontier Champ 2010-5(PEF)	1,460	1,453	-	1,453	999
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	2,401	(12,313)	-	(12,313)	-
KB High-tech Company Investment Fund	5,025	86	-	86	-
Aju Good Technology Venture Fund	2,491	1,356	-	1,356	-
KB-KDBC New Technology Business Investment Fund	39	(568)	-	(568)	-
KBTS Technology Venture Private Equity Fund	-	(798)	-	(798)	-
KB IP Investment FundⅡ	9	(155)	-	(155)	-
KB Digital Innovation Investment Fund Limited partnership	24	(322)	-	(322)	-
KB-Brain KOSDAQ Scale-up Fund	20	(161)	-	(161)	-
KB Star office private real estate Investment Trust No.1	14,092	6,135	-	6,135	1,162
PT Bank Bukopin TBK	148,793	(8,843)	(2,325)	(11,168)	-

[1] The amounts included in the financial information of the associates are adjusted to reflect adjustments made by the Group, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.
[2] The goodwill of PT Bank Bukopin TBK as at December 31, 2019 and 2018, are ₩ 4,437 million and ₩ 4,101 million, respectively.

Changes in investments in associates for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019							
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) from using equ method	Other comprehensive income	Impairment loss	Ending
Korea Credit Bureau Co., Ltd.	5,941	-	-	(135)	185	-	-	5,991
Balhae Infrastructure Fund	108,050	593	-	(6,855)	(398)		-	101,390
KB GwS Private Securities Investment Trust	106,613	-	-	(7,276)	8,689	-	-	108,026
KB Sprott Renewables No.1. Private Equity Fund	-	1,327	-	-	(296)	-	-	1,031
KB Digital Innovation & Growth New Technology Business Investment Fund	1,079	1,125	-	-	(174)	-	-	2,030
KB12-1 Venture Investment Partnership	49,912	-	(3,400)	-	7,023	-	-	53,535
Future Planning KB Start-up Creation Fund	18,069	-	(4,400)	-	1,352	-	-	15,021
KoFC KBIC Frontier Champ 2010-5(PEF)	140	-	(140)	-	-	-	-	-
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	11,681	-	-	-	(789)	-	-	10,892
KB High-tech Company Investment Fund	22,563	-	(6,950)	-	16,291	-	-	31,904
Aju Good Technology Venture Fund	18,134	1,960	-	-	2,922	-	-	23,016
KB-KDBC New Technology Business Investment Fund	7,297	2,500	-	-	(303)	-	-	9,494
KBTS Technology Venture Private Equity Fund	7,381	4,200	(1,200)	-	189	-	-	10,570
KB Intellectual Property Fund 2	2,942	6,000	-	-	(428)	-	-	8,514
KB Digital Innovation Investment Fund Limited Partnership	7,617	24,500	-	-	(746)	-	-	31,371
KB-Brain KOSDAQ Scale-up Fund	3,966	7,000	-	-	(714)	-	-	10,252
KB Global Platform Fund	-	19,500	-	-	(721)	-	-	18,779
KB-UTC Inno-Tech Venture Fund	-	300	-	-	(22)	-	-	278
KB Star office private real estate Investment Trust No.1	20,252	-	(20,252)	-	-	-	-	-
MJT&I Corp.	122	-	-	-	(6)	-	-	116
Shinhwa Underwear Co., Ltd.	182	-	-	-	74	-	-	256
Kendae Co.,Ltd.	98	-	-	-	-	-	-	98
Dongjo Co., Ltd.	115	-	-	-	-	-	-	115
Dae-A Leisure Co., Ltd.	578	-	-	-	-	-	-	578
Imt Technology Co., Ltd.	-	-	-	-	3	-	-	3
Computerlife Co., Ltd	-	-	-	-	69	-	-	69
IL-KWANG ELECTRONIC MATERIALS CO., LTD.	-	-	-	-	-	-	-	-
SO-MYUNG RECYCLING CO., LTD.	-	-	-	-	-	-	-	-
IDTECK CO., LTD	-	-	-	-	-	-	-	-
Seyoon Development Company	-	-	-	-	-	-	-	-
PIP System CO., LTD	-	-	-	-	-	-	-	-
PT Bank Bukopin TBK	113,932	-	-	-	(1,235)	10,408	(1,723)	121,382
	506,664	69,005	(36,342)	(14,266)	30,965	10,408	(1,723)	564,711

(In millions of Korean won)

	2018						
	Beginning[1]	Acquisition and others	Disposal and others	Dividends	Gains (losses) from using equity method	Other comprehensive income	Ending
Korea Credit Bureau Co., Ltd.	5,056	-	-	(113)	998	-	5,941
Balhae Infrastructure Fund	105,190	4,645	(1,818)	(6,804)	6,837	-	108,050
KB GwS Private Securities Investment Trust	104,310	-	-	(6,386)	8,689	-	106,613
KB Digital Innovation & Growth New Technology Business Investment Fund	-	1,125	-	-	(37)	(9)	1,079
KB12-1 Venture Investment Partnership	37,507	-	(5,400)	(10,640)	28,445	-	49,912
Future Planning KB Start-up Creation Fund	18,336	-	(400)	(2,600)	2,733	-	18,069
KoFC KBIC Frontier Champ 2010-5(PEF)	4,137	-	(3,138)	(999)	140	-	140
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	14,171	-	-	-	(1,498)	(992)	11,681
KB High-tech Company Investment Fund	27,220	-	(4,700)	-	43	-	22,563
Aju Good Technology Venture Fund	8,230	9,808	-	-	96	-	18,134
KB-KDBC New Technology Business Investment Fund	2,486	5,000	-	-	(189)	-	7,297
KBTS Technology Venture Private Equity Fund	-	7,620	-	-	(239)	-	7,381
KB IP Investment FundⅡ	-	3,000	-	-	(58)	-	2,942
KB Digital Innovation Investment Fund Limited Partnership	-	7,700	-	-	(83)	-	7,617
KB-Brain KOSDAQ Scale-up Fund	-	4,000	-	-	(34)	-	3,966
KB Star office private real estate Investment Trust No.1	20,122	-	-	(1,162)	1,292	-	20,252
Terra Corporation	20	-	-	-	(20)	-	-
MJT&I Corp.	127	-	-	-	(5)	-	122
Shinhwa Underwear Co., Ltd.	138	-	-	-	44	-	182
Kendae Co.,Ltd.	127	-	-	-	(29)	-	98
Dongjo Co., Ltd.	-	-	-	-	115	-	115
Dae-A Leisure Co., Ltd.	-	-	-	-	3,698	(3,120)	578
PT Bank Bukopin TBK	-	116,422	-	-	(1,946)	(544)	113,932
	347,177	159,320	(15,456)	(28,704)	48,992	(4,665)	506,664

[1] Restated based on Korean IFRS 1109.

The tables below provide unrecognized share of losses of associates, both for the reporting period and cumulatively, because the Group has stopped recognizing its share of losses of associates when applying the equity method.

(In millions of Korean won)	2019		2018	
	Unrecognized loss (gain)	**Accumulated unrecognized loss**	**Unrecognized loss (gain)**	**Accumulated unrecognized loss**
Incheon Bridge Co., Ltd.	(1,944)	14,746	487	16,689
Shinla Construction Co., Ltd.	-	183	-	183
Doosung Metal Co., Ltd	46	65	(4)	19
Jungdong Steel Co., Ltd	-	487	-	487
DPAPS Co., Ltd.	14	339	141	325
Jinseung Tech Co., Ltd.	18	21	3	3
Korea NM Tech Co., Ltd.	-	28	28	28
Jungdo Co., Ltd.	-	160	160	160
Jaeyang Industry Co., Ltd.	-	30	30	30
Terra Corporation	-	14	14	14
Chong Il Machine & Tools Co., Ltd.	19	19	-	-
SKYDIGITAL INC	106	106	-	-

14. Property and Equipment, and Investment Properties

Details of property and equipment as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

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

(In millions of Korean won)

	2018			
	Acquisition cost	**Accumulated depreciation**	**Accumulated impairment losses**	**Carrying amount**
Land	1,979,811	-	(1,018)	1,978,793
Buildings	1,256,234	(442,318)	(5,859)	808,057
Leasehold improvements	794,814	(700,046)	-	94,768
Equipment and vehicles	1,147,644	(993,785)	-	153,859
Construction in-progress	81,268	-	-	81,268
Finance lease assets	32,709	(21,788)	-	10,921
	5,292,480	(2,157,937)	(6,877)	3,127,666

Changes in property and equipment for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019						
	Beginning[1]	**Acquisition**	**Transfers[2]**	**Disposal**	**Depreciation**	**Others**	**Ending**
Land	1,978,793	185	5,483	(124)	-	15	1,984,352
Buildings	808,057	67	224,748	(3,095)	(33,481)	34	996,330
Leasehold improvements	89,709	2,707	62,263	-	(63,576)	96	91,199
Equipment and vehicles	153,859	229,793	-	(234)	(121,820)	128	261,726
Construction in-progress	81,268	292,852	(288,119)	-	-	(48)	85,953
Right-of-use assets	376,606	328,623	-	(138,642)	(218,565)	16,792	364,814
	3,488,292	854,227	4,375	(142,095)	(437,442)	17,017	3,784,374

(In millions of Korean won)

	2018						
	Beginning	**Acquisition**	**Transfers[2]**	**Disposal**	**Depreciation**	**Others**	**Ending**
Land	1,972,212	124	7,129	(691)	-	19	1,978,793
Buildings	801,064	-	40,956	(4,079)	(29,928)	44	808,057
Leasehold improvements	76,076	1,086	69,646	(242)	(62,035)	10,237	94,768
Equipment and vehicles	148,826	102,974	246	(795)	(97,423)	31	153,859
Construction in-progress	12,187	229,765	(160,684)	-	-	-	81,268
Finance lease assets	5,229	9,640	-	-	(3,948)	-	10,921
	3,015,594	343,589	(42,707)	(5,807)	(193,334)	10,331	3,127,666

[1] Restated based on Korean IFRS 1116.
[2] Including transfers from investment properties and assets held for sale.

Changes in accumulated impairment losses of property and equipment for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

2019				
Beginning	**Impairment**	**Reversal**	**Others**	**Ending**
(6,877)	-	-	-	(6,877)

(In millions of Korean won)

2018				
Beginning	**Impairment**	**Reversal**	**Others**	**Ending**
(6,877)	-	-	-	(6,877)

Details of investment properties as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019		
	Acquisition cost	**Accumulated depreciation**	**Carrying amount**
Land	328,587	-	328,587
Buildings	164,774	(17,393)	147,381
	493,361	(17,393)	475,968

(In millions of Korean won)	2018		
	Acquisition cost	**Accumulated depreciation**	**Carrying amount**
Land	166,737	-	166,737
Buildings	107,554	(16,367)	91,187
	274,291	(16,367)	257,924

The valuation technique and input variables that are used to measure the fair value of investment property as at December 31, 2019, are as follows:

(In millions of Korean won)	**2019**		
	Fair Value	**Valuation technique**	**Inputs**
	47,623	Cost approach value	- Price per square meter - Replacement cost
Land and Buildings	465,684	Income approach	- Discount rate - Capitalization rate - Vacancy rate

As at December 31, 2019 and 2018, fair values of the investment properties amount to ₩ 513,307 million and ₩ 286,475 million, respectively. The investment properties were measured by qualified independent appraisers with experience in valuing similar properties in the same area. In addition, per the fair value hierarchy on Note 6.1, the fair value hierarchy of all investment properties has been categorized and classified as Level 3.

Rental income from the above investment properties for the years ended December 31, 2019 and 2018, amounts to ₩ 15,663 million and ₩ 18,162 million, respectively.

Changes in investment properties for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
	Beginning	**Acquisitions**	**Transfers**	**Disposal**	**Depreciation**	**Ending**
Land	166,737	167,333	(5,483)	-	-	328,587
Buildings	91,187	63,251	(4,195)	-	(2,862)	147,381
	257,924	230,584	(9,678)	-	(2,862)	475,968

(In millions of Korean won)

	2018					
	Beginning	**Acquisitions**	**Transfers**	**Disposal**	**Depreciation**	**Ending**
Land	205,723	-	17,069	(56,055)	-	166,737
Buildings	131,777	179	13,349	(50,872)	(3,246)	91,187
	337,500	179	30,418	(106,927)	(3,246)	257,924

15. Intangible Assets

Details of intangible assets as at December 31, 2019 and 2018, are as follows:

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

(In millions of Korean won)	2018			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Goodwill	66,490	-	(1,202)	65,288
Other intangible assets	935,208	(771,182)	(5,106)	158,920
	1,001,698	(771,182)	(6,308)	224,208

Details of goodwill as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019		2018	
	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Housing & Commercial Bank	65,288	65,288	65,288	65,288
KB Cambodia Bank	1,202	-	1,202	-
	66,490	65,288	66,490	65,288

The goodwill arose from the merger of Housing & Commercial Bank (“H&CB”), and there is no change in goodwill for the years ended December 31, 2019 and 2018.

Changes in accumulated impairment losses for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019				
	Beginning	Impairment	Reversal	Others	Ending
Accumulated impairment losses on other intangible assets	(1,202)	-	-	-	(1,202)

(In millions of Korean won)	2018				
	Beginning	Impairment	Reversal	Others	Ending
Accumulated impairment losses on other intangible assets	(1,202)	-	-	-	(1,202)

Details of allocation of goodwill to cash-generating units and related information for impairment testing as at December 31, 2019 is as follows:

(In millions of Korean won)	2019		
	Retail Banking	**Corporate Banking**	**Total**
Carrying amounts	49,315	15,973	65,288
Recoverable amount exceeded carrying amount	3,424,398	3,142,439	6,566,837
Discount rate (%)	13.02	13.09	
Permanent growth rate (%)	1.00	1.00	

Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the combination for impairment testing, and cash-generating units consist of an operating segment or units which are not larger than an operating segment. The Group recognized the amount of ₩ 65,288 million related to goodwill acquired in the merger of Housing & Commercial Bank. Of this amount, the amounts of ₩ 49,315 million and ₩ 15,973 million were allocated to the Retail Banking and Corporate Banking, respectively. Cash-generating units, to which goodwill has been allocated, is tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

The recoverable amount of a cash-generating unit is measured at the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal. If it is difficult to measure the amount obtainable from the sale of the cash-generating unit, the Group measures the fair value less costs to sell by reflecting the characteristics of the measured cash-generating unit. If it is not possible to obtain the reliable information to measure the fair value less costs to sell, the Group uses the asset’s value in use as its recoverable amount. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The projections of the future cash flows are based on the most recent financial budget approved by management and generally cover a period of five years. The future cash flows after projection period are estimated on the assumption that the future cash flows will increase by 1.0% annually for Retail Banking, Corporate Banking. The key assumptions used for the estimation of the future cash flows are the market size and the Group’s market share. The discount rate is a pre-tax rate that reflects assumptions regarding risk-free interest rate, market risk premium and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Details of intangible assets, excluding goodwill, as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

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

(In millions of Korean won)

	2018			
	Acquisition cost	**Accumulated amortization**	**Accumulated impairment losses**	**Carrying amount**
Industrial property rights	1,858	(1,608)	-	250
Software	769,244	(673,475)	-	95,769
Other intangible assets	129,975	(77,129)	(5,106)	47,740
Finance leases assets	34,131	(18,970)	-	15,161
	935,208	(771,182)	(5,106)	158,920

Changes in intangible assets, excluding goodwill, for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
	Beginning	**Acquisition**	**Disposal**	**Amortization**	**Others**	**Ending**
Industrial property rights	250	149	-	(106)	-	293
Software	95,769	88,896	-	(50,949)	261	133,977
Other intangible assets	47,740	30,283	(7,126)	(11,469)	106	59,534
Right-of-use assets	15,161	996	-	(6,518)	-	9,639
	158,920	120,324	(7,126)	(69,042)	367	203,443

(In millions of Korean won)

	2018					
	Beginning	**Acquisition**	**Disposal**	**Amortization**	**Others**	**Ending**
Industrial property rights	281	58	-	(89)	-	250
Software	88,635	45,839	-	(38,707)	2	95,769
Other intangible assets	50,865	7,160	(2,825)	(5,710)	(1,750)	47,740
Finance leases assets	12,539	8,024	-	(5,402)	-	15,161
	152,320	61,081	(2,825)	(49,908)	(1,748)	158,920

Changes in accumulated impairment losses on other intangible assets for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019				
	Beginning	**Impairment**	**Reversal**	**Others**	**Ending**
Accumulated impairment losses on other intangible assets	(5,106)	(50)	112	2,878	(2,166)

(In millions of Korean won)

	2018				
	Beginning	**Impairment**	**Reversal**	**Others**	**Ending**
Accumulated impairment losses on other intangible assets	(3,597)	(1,806)	31	266	(5,106)

16. Deferred Income Tax Assets and Liabilities

Details of deferred income tax assets and liabilities as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Assets	**Liabilities**	**Net amount**
Other provisions	60,244	-	60,244
Impairment losses on property and equipment	2,656	-	2,656
Share-based payments	12,114	-	12,114
Provisions for guarantees	20,959	-	20,959
Gains on valuation of derivatives	-	(59,827)	(59,827)
Present value discount	-	(118)	(118)
Losses on fair value hedged item	12,123	-	12,123
Accrued interest	-	(48,979)	(48,979)
Deferred loan origination fees and costs	-	(136,178)	(136,178)
Gains on revaluation	-	(286,269)	(286,269)
Investments in subsidiaries and associates	31,509	(88,492)	(56,983)
Gains on valuation of security investment	-	(100,400)	(100,400)
Defined benefit liabilities	422,800	-	422,800
Accrued expenses	173,023	-	173,023
Retirement insurance expense	-	(375,300)	(375,300)

Adjustments to the prepaid contributions	-	(22,897)	(22,897)
Others	250,358	(113,715)	136,643
	985,786	(1,232,175)	(246,389)
Offsetting of deferred income tax assets and liabilities	(983,523)	983,523	-
	2,263	(248,652)	(246,389)

(In millions of Korean won)	**2018**		
	Assets	**Liabilities**	**Net amount**
Other provisions	62,179	-	62,179
Impairment losses on property and equipment	4,132	-	4,132
Share-based payments	11,868	-	11,868
Provisions for guarantees	20,298	-	20,298
Gains on valuation of derivatives	-	(13,188)	(13,188)
Present value discount	-	(34)	(34)
Gains on fair value hedged item	-	(25,873)	(25,873)
Accrued interest	-	(41,687)	(41,687)
Deferred loan origination fees and costs	-	(139,697)	(139,697)
Gains on revaluation	-	(286,739)	(286,739)
Investments in subsidiaries and associates	29,410	(67,358)	(37,948)
Gains on valuation of security investment	-	(53,384)	(53,384)
Defined benefit liabilities	387,667	-	387,667
Accrued expenses	202,220	-	202,220
Retirement insurance expense	-	(343,176)	(343,176)
Adjustments to the prepaid contributions	-	(19,033)	(19,033)
Others	183,561	(28,902)	154,659
	901,335	(1,019,071)	(117,736)
Offsetting of deferred income tax assets and liabilities	(898,204)	898,204	-
	3,131	(120,867)	(117,736)

Unrecognized deferred income tax liabilities

No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩ 33,487 million and 42,404 million associated with investments in subsidiaries and associates as at December 31, 2019, due to the following reasons:

- The Group is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not be reversed in the foreseeable future.

As at December 31, 2019 and 2018, no deferred income tax liabilities have been recognized for the taxable temporary difference of ₩ 65,288 million arising from the initial recognition of goodwill from the merger of Housing and Commercial Bank in 2001.

Unrecognized deferred income tax assets

No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 7,716 million and ₩ 8,938 million associated with investments in subsidiaries and associates as at

December 31, 2019 and 2018, because it is not probable that the temporary differences will be reversed in the foreseeable future.

No deferred income tax assets have been recognized for deductible temporary differences of ₩19,388 million associated with others as at December 31, 2019 (₩ 363 million and ₩15,030 million associated with accrued expenses and others respectively as at December 31, 2018), due to the uncertainty that these will be realized in the future.

Changes in cumulative temporary differences for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019			
	Beginning	**Decrease**	**Increase**	**Ending**
Deductible temporary differences				
Gains and Losses on fair value hedged item	-	-	44,085	44,085
Other provisions	226,103	226,103	219,069	219,069
Impairment losses on property and equipment	15,027	15,027	9,659	9,659
Share-based payments	43,156	43,156	44,049	44,049
Provisions for guarantees	73,809	73,809	76,214	76,214
Investment in subsidiaries and associates	115,883	21,567	27,976	122,292
Retirement insurance expense	1,409,700	112,517	240,272	1,537,455
Accrued expenses	735,712	735,712	629,175	629,175
Others	682,521	133,335	380,595	929,781
	3,301,911	1,361,226	1,671,094	3,611,779
Unrecognized deferred income tax assets				
Accrued expenses	363			-
Investment in subsidiaries and associates	8,938			7,716
Others	15,030			19,388
	3,277,580			3,584,675
Tax rate (%)	27.50			27.50
Total deferred income tax assets from deductible temporary differences	901,335			985,786

(In millions of Korean won)	2019			
	Beginning	**Decrease**	**Increase**	**Ending**
Taxable temporary differences				
Gain and Losses from fair value hedge	(94,085)	(94,085)	-	-
Accrued interest	(151,588)	(102,728)	(129,247)	(178,107)
Deferred loan origination fees and costs	(507,988)	(507,988)	(495,193)	(495,193)
Gains on valuation of derivatives	(47,956)	(47,956)	(217,552)	(217,552)
Present value discount	(124)	(124)	(429)	(429)
Goodwill from merger	(65,288)	-	-	(65,288)
Gains on revaluation	(1,042,687)	(1,711)	-	(1,040,976)
Investment in subsidiaries and associates	(287,344)	(1,572)	(69,503)	(355,275)
Gains on valuation of security investment	(194,124)	(194,124)	(365,092)	(365,092)
Retirement insurance expense	(1,247,911)	(112,517)	(229,333)	(1,364,727)
Adjustments to the prepaid contributions	(69,212)	(69,212)	(83,262)	(83,262)
Others	(105,098)	(38,594)	(347,006)	(413,510)
	(3,813,405)	(1,170,611)	(1,936,617)	(4,579,411)
Unrecognized deferred income tax liabilities				
Goodwill from merger	(65,288)			(65,288)
Investments in subsidiaries and associates	(42,404)			(33,487)
	(3,705,713)			(4,480,636)
Tax rate (%)	27.50			27.50
Total deferred income tax liabilities from taxable temporary differences	(1,019,071)			(1,232,175)

(In millions of Korean won)	2018			
	Beginning[1]	**Decrease**	**Increase**	**Ending**
Deductible temporary differences				
Other provisions	256,282	256,282	226,103	226,103
Impairment losses on property and equipment	19,678	19,678	15,027	15,027
Interest on equity index-linked deposits	155	155	-	-
Share-based payments	61,870	61,870	43,156	43,156
Provisions for guarantees	98,294	98,294	73,809	73,809
Loss on SPE repurchase	80,204	80,204	-	-
Investment in subsidiaries and associates	81,336	13,835	48,382	115,883
Gains on valuation of security investment	75,642	75,642	-	-
Defined benefit liabilities	1,210,654	114,562	313,608	1,409,700
Accrued expenses	467,999	467,999	735,712	735,712
Others	881,600	353,386	154,307	682,521
	3,233,714	1,541,907	1,610,104	3,301,911
Unrecognized deferred income tax assets				
Accrued expenses	-			363
Loss on SPE repurchase	80,204			-
Investment in subsidiaries and associates	18,084			8,938
Others	12,500			15,030
	3,122,926			3,277,580
Tax rate (%)[2]	27.50			27.50
Total deferred income tax assets from deductible temporary differences	858,805			901,335

(In millions of Korean won)	2018			
	Beginning[1]	**Decrease**	**Increase**	**Ending**
Taxable temporary differences				
Losses from fair value hedge	(57,083)	(57,083)	(94,085)	(94,085)
Accrued interest	(157,556)	(116,532)	(110,564)	(151,588)
Deferred loan origination fees and costs	(479,671)	(479,671)	(507,988)	(507,988)
Gains on valuation of derivatives	(52,764)	(52,764)	(47,956)	(47,956)
Present value discount	(209)	(209)	(124)	(124)
Goodwill from merger	(65,288)	-	-	(65,288)
Gains on revaluation	(1,113,979)	(71,292)	-	(1,042,687)
Investment in subsidiaries and associates	(370,348)	(130,476)	(47,472)	(287,344)
Gains on valuation of security investment	-	-	(194,124)	(194,124)
Retirement insurance expense	(1,095,495)	(82,468)	(234,884)	(1,247,911)
Adjustments to the prepaid contributions	(59,040)	(59,040)	(69,212)	(69,212)
Others	(72,737)	(12,708)	(45,069)	(105,098)
	(3,524,170)	(1,062,243)	(1,351,478)	(3,813,405)
Unrecognized deferred income tax liabilities				
Goodwill from merger	(65,288)			(65,288)
Investments in subsidiaries and associates	(4,901)			(42,404)
	(3,453,981)			(3,705,713)
Tax rate (%) [2]	27.50			27.50
Total deferred income tax liabilities from taxable temporary differences	(949,845)			(1,019,071)

[1] Restated based on Korean IFRS 1109.

[2] As the corporate tax rate was changed due to the revision of the tax law at the end of 2017, deferred tax assets (liabilities) expected to be realized after 2018 are calculated using 27.5%.

17. Other Assets

Details of other assets as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Other financial assets		
Other receivables	3,059,196	1,921,593
Accrued income	867,534	793,340
Guarantee deposits	995,678	1,019,169
Domestic exchange settlement debits	523,182	476,349
Others	32,329	11,843
Allowances for loan losses	(11,461)	(21,775)
Present value discount	(1,754)	(1,322)
	5,464,704	4,199,197

(In millions of Korean won)	2019	2018
Other non-financial assets		
Other receivables	86	61
Prepaid expenses	120,873	130,432
Guarantee deposits	3,047	3,061
Others	120,201	74,649
Allowances on other assets	(16,528)	(16,992)
	227,679	191,211
	5,692,383	4,390,408

Changes in allowances for loan losses on other assets for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019		
	Other financial assets	Other non-financial assets	Total
Beginning	21,775	16,992	38,767
Provision	(7,758)	(312)	(8,070)
Written-off	(3,367)	(152)	(3,519)
Others	811	-	811
Ending	11,461	16,528	27,989

(In millions of Korean won)	2018		
	Other financial assets	Other non-financial assets	Total
Beginning[1]	54,190	22,575	76,765
Provision	1,179	(3,720)	(2,541)
Written-off	(34,773)	(1,863)	(36,636)
Others	1,179	-	1,179
Ending	21,775	16,992	38,767

[1] Restated based on Korean IFRS 1109.

18. Assets Held for Sale

Details of assets held for sale as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019			
	Acquisition cost[1]	Accumulated impairment losses	Carrying amount	Fair value less costs to sell
Land	7,210	(1,530)	5,680	6,467
Buildings	2,513	(1,252)	1,261	1,261
	9,723	(2,782)	6,941	7,728

(In millions of Korean won)	2018			
	Acquisition cost[1]	**Accumulated impairment losses**	**Carrying amount**	**Fair value less costs to sell**
Land	16,048	(3,442)	12,606	16,552
Buildings	9,054	(4,708)	4,346	4,403
	25,102	(8,150)	16,952	20,955

[1] Acquisition cost of buildings held for sale is net of accumulated depreciation before classified as assets held for sale.

The valuation technique and input variables that are used to measure the fair value of assets held for sale as at December 31, 2019, are as follows:

(In millions of Korean won)

	2019				
	Fair value	**Valuation technique[1]**	**Unobservable inputs[2]**	**Estimated range of unobservable inputs(%)**	**Effect of unobservable inputs on fair value**
Land and buildings	7,728	Market comparison approach model and others	Adjustment index	0.44 ~ 1.36	Fair value increases as the adjustment index rises

[1] The appraisal value is adjusted by the adjustment ratio in the event the public sale is unsuccessful.
[2] Adjustment index is calculated by using the time factor correction, regional factors or individual factors.

Among assets held for sale, real estates were measured by an independent evaluator who has recently assessed similar properties in the area of the qualifying real estates. All of assets held for sale are included in level 3 in accordance with Note 6-1. (2).

Changes in accumulated impairment losses of assets held for sale for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

2019				
Beginning	**Provision**	**Reversal**	**Others**	**Ending**
(8,150)	(333)	-	5,701	(2,782)

(In millions of Korean won)

2018				
Beginning	**Provision**	**Reversal**	**Others**	**Ending**
(12,801)	(5,281)	286	9,646	(8,150)

As at December 31, 2019, assets held for sale consist of three real estates of closed offices, which were committed to sell by the management, but not yet sold as at December 31, 2019. Negotiation with buyers is in process for the one asset and the remaining two assets are also being actively marketed.

19. Deposits

Details of deposits as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Demand deposits		
Demand deposits in Korean won	124,457,990	112,746,957
Demand deposits in foreign currencies	7,937,663	6,242,996
	132,395,653	118,989,953
Time deposits		
Time deposits in Korean won	156,738,952	144,387,450
Time deposits in foreign currencies	7,561,299	5,664,671
Fair value adjustments on fair value hedged time deposits in foreign currencies	(18,391)	(89,265)
	164,281,860	149,962,856
Certificates of deposits	4,239,969	3,531,719
	300,917,482	272,484,528

20. Debts

Details of debts as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Borrowings	18,043,380	16,689,574
Bonds sold under repurchase agreements and others	830,095	444,066
Call money	267,787	362,415
Total	19,141,262	17,496,055

Details of borrowings as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)		Lenders	Annual interest rate (%)	2019	2018
Borrowings in Korean won	Borrowings from the Bank of Korea	Bank of Korea	0.50 ~ 0.75	2,649,851	1,672,714
	Borrowings from the government	SEMAS and others	0.00 ~ 3.00	1,658,810	1,745,939
	Borrowings from non-banking financial institutions	Korea Development Bank	0.20 ~ 2.20	408,042	372,853
	Other borrowings	Korea Development Bank and others	0.00 ~ 4.90	4,344,937	3,965,534
				9,061,640	7,757,040
Borrowings in foreign currencies	Due to banks	KEB Hana Bank and others	-	4,682	13,353
	Borrowings from banking institutions	Central Bank of Uzbekistan and others	0.00 ~ 3.53	7,450,947	7,110,028
	Borrowings from other financial institutions	Export Import Bank of Korea and others	2.28 ~ 3.08	7,081	18,725
	Other borrowings in foreign currencies	Standard Chartered Bank and others	0.00 ~ 2.63	1,519,030	1,790,428
				8,981,740	8,932,534
				18,043,380	16,689,574

Details of bonds sold under repurchase agreements and others as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	Lenders	Annual interest rate (%)	2019	2018
Bonds sold under Repurchase agreements	Individuals,groups, corporations	0.91 ~ 1.18	825,710	436,471
Bills sold	Counter sale	0.70 ~ 1.05	4,385	7,595
			830,095	444,066

Details of call money as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	Lenders	Annual interest rate (%)	2019	2018
Call money in foreign currencies	Central Bank of Uzbekistan and others	2.91 ~ 4.30	267,787	362,415

21. Debentures

Details of debentures as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	Annual interest rate (%)	2019	2018
Debentures in Korean won			
Structured debentures	5.65 ~ 5.86	33,310	34,320
Subordinated fixed rate debentures	2.96 ~ 4.35	3,416,590	3,422,729
Fixed rate debentures	1.47 ~ 2.44	10,787,614	15,024,545
Floating rate debentures	1.54	300,000	640,000
		14,537,514	19,121,594
Fair value adjustments on fair value hedged debentures in Korean won		21,070	19,252
Discount on debentures in Korean won		(3,588)	(11,792)
		14,554,996	19,129,054
Debentures in foreign currencies			
Floating rate debentures	2.31 ~ 2.84	1,301,367	1,344,628
Fixed rate debentures	2.13 ~ 4.50	2,857,545	2,725,700
		4,158,912	4,070,328
Fair value adjustments on fair value hedged debentures in foreign currencies		41,406	(24,073)
Discount on debentures in foreign currencies		(15,322)	(11,724)
		4,184,996	4,034,531
		18,739,992	23,163,585

Changes in debentures based on face value for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019				
	Beginning	Issues	Repayments	Others	Ending
Debentures in Korean won					
Structured debentures	34,320	-	(1,010)	-	33,310
Subordinated fixed rate debentures	3,422,729	-	(6,139)	-	3,416,590
Fixed rate debentures	15,024,545	8,597,400	(12,834,331)	-	10,787,614
Floating rate debentures	640,000	300,000	(640,000)	-	300,000
	19,121,594	8,897,400	(13,481,480)	-	14,537,514
Debentures in foreign currencies					
Floating rate debentures	1,344,628	60,780	(33,199)	(70,842)	1,301,367
Fixed rate debentures	2,725,699	595,490	(590,950)	127,306	2,857,545
	4,070,327	656,270	(624,149)	56,464	4,158,912
	23,191,921	9,553,670	(14,105,629)	56,464	18,696,426

(In millions of Korean won)	2018				
	Beginning	**Issues**	**Repayments**	**Others**	**Ending**
Debentures in Korean won					
Structured debentures	135,800	-	(101,480)	-	34,320
Subordinated fixed rate debentures	2,888,411	600,000	(65,682)	-	3,422,729
Fixed rate debentures	13,236,365	11,761,400	(9,973,220)	-	15,024,545
Floating rate debentures	-	640,000	-	-	640,000
	16,260,576	13,001,400	(10,140,382)	-	19,121,594
Debentures in foreign currencies					
Floating rate debentures	835,692	725,638	(274,130)	57,428	1,344,628
Fixed rate debentures	2,142,800	493,022	-	89,877	2,725,699
	2,978,492	1,218,660	(274,130)	147,305	4,070,327
	19,239,068	14,220,060	(10,414,512)	147,305	23,191,921

22. Provisions

Details of provisions as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Provisions for unused loan commitments	95,755	103,882
Provisions for acceptances and guarantees	76,256	73,897
Provisions for asset retirement obligation	106,269	95,396
Others	32,860	35,199
	311,140	308,374

Changes in provisions for unused loan commitments, acceptances and guarantees for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
	Provisions for unused loan commitments			Provisions for acceptances and guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired		Non-impaired	Impaired
Beginning	74,987	28,895	-	26,291	29,625	17,981
Transfer between stages						
Transfer to 12-month expected credit losses	15,262	(15,235)	(27)	365	(365)	-
Transfer to lifetime expected credit losses	(13,691)	13,749	(58)	(976)	1,705	(729)
Impairment	(118)	(800)	918	(24)	(280)	304
Provision (reversal) for loan losses	(15,676)	7,824	(833)	(1,971)	4,643	(892)
Others (effects of changes in foreign exchange rate, etc.)	321	237	-	196	260	123
Ending	61,085	34,670	-	23,881	35,588	16,787

(In millions of Korean won)

	2018					
	Provisions for unused loan commitments			Provisions for acceptances and guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired		Non-impaired	Impaired
Beginning[1]	74,885	27,178	-	40,277	39,628	18,744
Transfer between stages						
Transfer to 12-month expected credit losses	10,001	(9,935)	(66)	661	(661)	-
Transfer to lifetime expected credit losses	(7,701)	7,784	(83)	(534)	676	(142)
Impairment	(201)	(667)	867	(6)	(87)	93
Provision (reversal) for loan losses	(2,204)	4,377	(718)	(14,515)	(10,174)	(898)
Others (effects of changes in foreign exchange rate, etc.)	207	158	-	408	243	184
Ending	74,987	28,895	-	26,291	29,625	17,981

[1] Restated based on Korean IFRS 1109.

Changes in provisions for asset retirement obligation for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Beginning	95,396	85,575
Increase	3,584	1,780
Reversal	(6,054)	(154)
Used	(3,658)	(2,534)
Unwinding of discount	1,981	2,305
Effects of changes in foreign exchange rate	15,020	8,424
Ending	106,269	95,396

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

Changes in other provisions for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
	Membership rewards program	Dormant accounts	Litigations	Financial guarantee liabilities	Others	Total
Beginning	61	4,375	6,478	2,391	21,894	35,199
Provision	61	2,296	8,160	3,020	710	14,247
Used and Others	(69)	(3,093)	(3,976)	-	(9,448)	(16,586)
Ending	53	3,578	10,662	5,411	13,156	32,860

(In millions of Korean won)

	2018						
	Membership rewards program	Dormant accounts	Litigations	Financial guarantee liabilities[1]	Greenhouse Gas Emission liabilities	Others	Total
Beginning	138	5,050	7,482	2,218	177	62,137	77,202
Provision (Reversal)	111	2,657	184	173	(177)	(10,620)	(7,672)
Used and Others	(188)	(3,332)	(1,188)	-	-	(29,623)	(34,331)
Ending	61	4,375	6,478	2,391	-	21,894	35,199

[1] Restated based on Korean IFRS 1109.

23. Net Defined Benefit Liabilities

Defined benefit plan

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

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

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

Changes in the net defined benefit liabilities(assets) for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liabilities(assets)**
Beginning	1,549,092	(1,382,487)	166,605
Current service cost	151,846	-	151,846
Past service cost[1]	2,276	-	2,276
Interest expense (income)	35,227	(31,403)	3,824
Remeasurements :			
-Actuarial loss arising from experience adjustment	10,219	-	10,219
-Actuarial loss arising from changes in demographic assumptions	(5,128)	-	(5,128)
-Actuarial loss arising from changes in financial assumptions	42,426	-	42,426
-Return on plan assets (excluding amounts included in interest income)	-	8,165	8,165
Contributions	-	(196,100)	(196,100)
Payments from plans (benefit payments)	(112,516)	(112,516)	-
Payments from the Group	(5,323)	-	(5,323)
Transfer in	4,406	(4,102)	304
Transfer out	(2,558)	2,558	-
Effects of changes in foreign exchange rate	(4)	-	(4)
Ending	1,669,963	(1,490,853)	179,110

(In millions of Korean won)	2018		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liabilities**
Beginning	1,318,665	(1,310,097)	8,568
Current service cost	136,279	-	136,279
Past service cost[1]	26,663	-	26,663
Interest expense (income)	37,568	(37,327)	241
Remeasurements :			
-Actuarial loss arising from experience adjustment	26,780	-	26,780
-Actuarial loss arising from changes in demographic assumptions	9,775	-	9,775
-Actuarial loss arising from changes in financial assumptions	77,611	-	77,611
-Return on plan assets (excluding amounts included in interest income)	-	17,967	17,967
Contributions	-	(133,000)	(133,000)
Payments from plans (benefit payments)	(77,785)	77,785	-
Payments from the Group	(4,476)	-	(4,476)
Transfer in	2,677	(2,497)	180
Transfer out	(4,682)	4,682	-
Effects of changes in foreign exchange rate	17	-	17
Ending	1,549,092	(1,382,487)	166,605

[1] Other provisions of ₩22,306 million were transferred to the account as at December 31, 2017.

Details of the net defined benefit liabilities as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Present value of defined benefit obligation	1,669,963	1,549,092
Fair value of plan assets	(1,490,853)	(1,382,487)
Net defined benefit liabilities	179,110	166,605

Details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Current service cost	151,846	136,279
Past service cost	2,276	4,357
Interest expenses of net defined benefit liabilities	3,824	241
Total	157,946	140,877

Remeasurements of net defined benefit liabilities recognized as other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Remeasurements:		
- Actuarial gain arising from changes in demographic assumptions	5,128	(9,775)
- Actuarial loss arising from experience adjustment	(10,219)	(26,780)
- Actuarial gain arising from changes in financial assumptions	(42,426)	(77,611)
- Return on plan assets (excluding amounts included in interest income)	(8,165)	(17,967)
Income tax effects	15,313	36,336
Remeasurements after income tax	(40,369)	(95,797)

Details of fair value of plan assets as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**		
	Assets quoted in an active market	**Assets not quoted in an active market**	**Total**
Time deposits	-	1,490,590	1,490,590
Others	-	263	263
	-	1,490,853	1,490,853

(In millions of Korean won)	**2018**		
`	**Assets quoted in an active market**	**Assets not quoted in an active market**	**Total**
Time deposits	-	1,382,487	1,382,487

Key actuarial assumptions used as at December 31, 2019 and 2018, are as follows:

	Ratio (%)	
	2019	**2018**
Discount rate	2.00	2.30
Salary growth rate	3.75	3.75
Turnover	1.00	1.00

Expected mortality assumptions are based on the experience-based mortality table of Korea Insurance Development Institute of 2019.

The sensitivity of the defined benefit obligation to changes in the principal assumptions as at December 31, 2019, is as follows:

	Effect on defined benefit obligation		
	Changes in principal assumption	**Increase in principal assumption**	**Decrease in principal assumption**
Discount rate	0.5%p	4.20% decrease	4.51% increase
Salary growth rate	0.5%p	4.12% increase	3.88% decrease
Turnover	0.5%p	0.49% decrease	0.52% increase

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to significant actuarial assumptions is calculated using the projected unit credit method which is used to calculate the defined benefit obligation.

Expected maturity analysis of undiscounted pension benefits as at December 31, 2019, is as follows:

(In millions of Korean won)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Over 10 years	Total
Pension benefits	43,470	112,459	484,102	992,573	2,672,924	4,305,528

The weighted average duration of the defined benefit obligations is 8.88 and 8.86 years as at December 31, 2019 and December 31, 2018, respectively.

Expected contributions to plan assets for the period after December 31, 2019, are estimated to be approximately ₩ 156,000 million.

24. Other Liabilities

Details of other liabilities as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Other financial liabilities		
Other payables	3,422,209	2,253,535
Prepaid card and debit cards	2,038	2,351
Accrued expenses	2,748,242	2,679,685
Financial guarantee liabilities	41,008	29,867
Deposits for letter of guarantees and others	286,946	156,364
Domestic exchange settlement credits	2,073,263	1,679,914
Foreign exchanges settlement credits	114,316	102,187
Borrowings from other business accounts	256	13,166
Payables to trust accounts	5,216,460	5,285,108
Liabilities incurred from agency relationship	771,609	605,076
Account for agency businesses	407,475	460,949
Lease liabilities	344,417	-
Others	18,265	29,202
	15,446,504	13,297,404
Other non-financial liabilities		
Other payables	557,775	847,347
Unearned revenue	47,932	48,188
Accrued expenses	389,976	450,493
Withholding taxes	118,057	93,856
Others	65,368	78,776
	1,179,108	1,518,660
	16,625,612	14,816,064

25. Equity

25.1 Capital Stock

Details of outstanding shares as at December 31, 2019 and 2018, are as follows:

	Ordinary shares	
	2019	2018
Number of shares authorized	1,000,000,000	1,000,000,000
Face value per share[1]	5,000	5,000
Number of shares	404,379,116	404,379,116
Capital stock[2]	2,021,896	2,021,896

[1] In Korean won.
[2] In millions of Korean won.

24.2 Hybrid Security

Details of hybrid security classified as equity as at December 31, 2019 and December 31, 2018, are as follows:

(In millions of Korean won)	Issuance date	Maturity	Interest rate (%)	2019	2018
Amortized Conditional Capital Securities	July 2, 2019	Permanent	4.35	574,523	-

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

25.3 Capital Surplus

Details of capital surplus as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Paid-in capital in excess of face value	4,604,417	4,604,417
Gain on business combination	397,669	397,669
Revaluation increment	177,229	177,229
Other capital surplus	40,389	39,473
	5,219,704	5,218,788

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

25.4 Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Remeasurements of net defined benefit liabilities	(216,067)	(175,698)
Currency translation differences	15,943	(10,328)
Net gains on debt instruments at fair value through other comprehensive income	56,750	22,475
Net gains on equity instruments at fair value through other comprehensive income	303,338	302,014
Share of other comprehensive income of associates	4,287	(3,259)
Gains and losses on cash flow hedging instruments	(3,691)	11,539
Losses on hedges of a net investment in a foreign operations	(37,226)	(30,959)
	123,334	115,784

25.5 Retained Earnings

Retained earnings as at December 31, 2019 and 2018, consist of:

(In millions of Korean won)	2019	2018
Legal reserves	2,041,898	2,034,015
Regulatory reserve for credit losses	2,291,019	2,150,772
Voluntary reserves	14,257,527	12,522,628
Retained earnings before appropriation	2,474,332	2,603,983
	21,064,776	19,311,398

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

Regulatory Reserve for Credit Losses

Measurement and Disclosure of Regulatory Reserve for Credit Losses are required in accordance with Articles 29.1 through 29.2 of Regulation on Supervision of Banking Business.

Details of the regulatory reserve for credit losses as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Beginning	2,291,019	2,150,772

Amounts estimated to be appropriated	150,856	140,247
Ending	2,441,875	2,291,019

Adjustments to the regulatory reserve for credit losses for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Provision of regulatory reserve for credit losses[1]	150,856	247,207
Adjusted profit after provision of regulatory reserve for credit losses[2]	2,288,223	2,011,991

[1] The previous amount expected to be appropriated is the amount required to reserve for credit losses, calculated based on the beginning balance of regulatory reserve for credit losses (including unearned reserves) that reflects the effect of adoption of Korean IFRS 1109 retrospectively.
[2] Adjusted profit after provision of regulatory reserve for credit losses is calculated on the assumption that expected provision of regulatory reserve for credit losses which is measured in accordance with Banking Supervision Regulations would be reflected in net profit for the periods without consideration of income tax effect.

26. Interest Income and Expense

Details of interest income, expense, and net interest income for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Interest income		
Securities at fair value through profit or loss	202,244	214,455
Loans at fair value through profit or loss	9,686	7,850
Securities at fair value through other comprehensive income	602,042	502,093
Loans at fair value through other comprehensive income	13,670	2,138
Due from financial institutions at amortized cost	64,653	68,029
Securities at amortized cost	302,329	320,361
Loans at amortized cost	9,451,056	8,798,656
Others	134,268	106,306
	10,779,948	10,019,888
Interest expense		
Deposits	3,452,860	3,019,866
Debts	344,285	319,017
Debentures	517,311	501,892
Others	101,705	78,391
	4,416,161	3,919,166
Net interest income	6,363,787	6,100,722

Interest income recognized on impaired loans is ₩ 23,672 million (December 31, 2018: ₩23,355 million) for the year ended December 31, 2019.

27. Net Fee and Commission Income

Details of fee and commission income, and fee and commission expense for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Fee and commission income		
Banking activity fees	221,600	209,499
Lending activity fees	76,481	73,005
Credit card related fees	920	1,030
Debit card related fees and commissions	594	554
Agent activity fees	321,452	312,497
Trust and other fiduciary fees	308,084	287,385
Guarantee fees	39,170	32,423
Foreign currency related fees	100,499	92,140
Security activity commissions	128,891	146,883
Other business account commission on consignment	36,813	36,947
Others	248,858	230,428
	1,483,362	1,422,791
Fee and commission expense		
Trading activity related fees[1]	12,898	12,427
Lending activity fees	31,613	30,661
Credit card related fees	29,303	18,478
Outsourcing related fees	95,988	78,986
Foreign currency related fees	24,140	21,402
Management fees of written-off loans	15,181	12,680
Contributions to external institutions	24,558	23,949
Others	116,385	101,460
	350,066	300,043
Net fee and commission income	1,133,296	1,122,748

[1] Fees from financial assets/liabilities at fair value through profit or loss.

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

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

Details for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Revenue from financial instruments at fair value through profit or loss		
Financial assets at fair value through profit or loss		
Debt instruments	265,422	249,860
Equity instruments	27,946	31,327
	293,368	281,187
Derivatives held for trading		
Interest rate	1,692,513	1,509,811
Currency	4,995,524	3,463,934
Stock or stock index	254	7,048
Others	1,224	987
	6,689,515	4,981,780
Financial liabilities at fair value through profit or loss	394	377
Other financial instruments	5,810	22
	6,989,087	5,263,366
Expense from financial instruments at fair value through profit or loss		
Financial assets at fair value through profit or loss		
Debt instruments	47,850	169,248
Equity instruments	3,637	37,844
	51,487	207,092
Derivatives held for trading		
Interest rate	1,774,890	1,554,325
Currency	4,732,495	3,169,608
Stock or stock index	937	4,473
Others	484	1,210
	6,508,806	4,729,616
Financial liabilities at fair value through profit or loss	466	203
Other financial instruments	5,704	60
	6,566,463	4,936,971
Net gains or losses from financial assets/liabilities at fair value through profit or loss	422,624	326,395

29. Other Operating Income and Expenses

Details of other operating income and expenses for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Other operating income		
Revenue related to financial assets at fair value through other comprehensive income		
Gains on redemption of the securities at fair value through other comprehensive income	524	230
Gains on sale of the securities at fair value through other comprehensive income	99,195	94,984
Revenue related to financial assets at amortized cost		
Gains on sale of loans at amortized cost	19,346	15,691
Gains on foreign exchange transactions	1,554,311	1,147,691
Dividend income	43,146	38,937
Others	198,049	86,307
	1,914,571	1,383,840
Other operating expense		
Expenses related to financial assets at fair value through other comprehensive income		
Losses on sale of the securities at fair value through other comprehensive income	4,195	7,135
Expenses related to financial assets at amortized cost		
Losses on sale of loans at amortized cost	15,015	6,674
Losses on foreign exchanges transactions	1,515,382	1,211,920
Others	980,618	854,597
	2,515,210	2,080,326
Net other operating expense	(600,639)	(696,486)

30. General and Administrative Expenses

30.1 General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Employee Benefits		
Salaries and short-term employee benefits - salaries	1,489,102	1,522,003
Salaries and short-term employee benefits - welfare expense	638,184	652,781
Post-employment benefits - defined benefit plans	157,946	140,877
Post-employment benefits - defined contribution plans	7,220	6,719
Termination benefits	213,749	209,737
Share-based payments	15,173	4,051
	2,521,374	2,536,168
Depreciation and amortization	509,346	246,488
Other general and administrative expenses		
Rental expense	62,277	259,194
Tax and dues	126,975	108,389
Communication	26,035	23,163
Electricity and utilities	22,435	21,641
Publication	8,977	9,771
Repairs and maintenance	12,037	11,263
Vehicle	6,878	7,367
Travel	5,163	4,096
Training	19,078	17,521
Service fees	123,425	107,678
Others	443,419	414,256
	856,699	984,339
	3,887,419	3,766,995

30.2 Share-based Payments

30.2.1 Share Grants

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

Details of the share grants as at December 31, 2019, are as follows:

(In number of shares)

Share grants	Grant date	Number of granted shares[1, 2]	Vesting conditions
Series 72	2017.08.28	6,742	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Series 73	2017.11.21	27,786	Services fulfillment, TSR 30%, EPS and Asset Quality 70%
Series 74	2018.01.01	134,465	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Series 75	2019.01.01	192,170	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Series 76	2019.04.01	5,380	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Series 77	2019.05.27	5,569	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Series 78	2019.11.21	36,443	Services fulfillment, TSR 30%, EPS and Asset Quality 70%
Deferred grant in 2015	-	4,756	
Deferred grant in 2016	-	65,419	
Deferred grant in 2017	-	95,697	
Deferred grant in 2018	-	97,244	
		671,671	

[1] Granted shares in relation to Series 72 ~ 78 represent the total number of shares granted to directors and employees but not vested at the end of reporting period. The number of deferred grants represents residual shares that have been vested at the end of reporting period.
[2] Certain percentages among the granted shares are deferred for over five years from the time of initial exercising. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

Details of share grants linked to short-term performance as at December 31, 2019, are as follows:

Share grants[1]	Number of vested shares	Vesting conditions
Granted shares for 2015	15,831	Vested
Granted shares for 2016	52,855	Vested
Granted shares for 2017	55,490	Vested
Granted shares for 2018	109,296	Vested
Granted shares for 2019	112,445	Proportion to service period

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

Share grants are measured at fair value using the Monte Carlo Simulation Model and assumptions used in determining the fair value as at December 31, 2019, are as follows:

(In Korean won)	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Linked to long-term performance				
Series 72	0.00~3.00	1.34%	43,659~47,631	43,659~47,631
Series 73	0.00~2.89	1.34%	41,253~43,741	43,803~46,445
Series 74	0.00~3.00	1.34%	41,279~45,035	43,659~47,631
Series 75	0.00~4.00	1.34%	41,506~46,021	42,336~47,631
Series 76	1.25~5.01	1.34%	41,070~44,926	41,070~44,926
Series 77	1.40~5.01	1.34%	41,070~44,926	41,070~44,926
Series 78	1.89~5.01	1.34%	38,303~41,900	41,070~44,926
Grant deferred in 2015	0.00~2.00	1.34%	-	44,926~47,631
Grant deferred in 2016	0.00~4.00	1.34%	-	42,336~47,631
Grant deferred in 2017	0.00~4.00	1.34%	-	42,336~47,631
Grant deferred in 2018	0.00~4.00	1.34%	-	42,336~47,631
Share granted in 2015	0.00~4.00	1.34%	-	42,336~47,631
Share granted in 2016	0.00~5.01	1.34%	-	41,070~47,631
Share granted in 2017	0.00~4.00	1.34%	-	42,336~47,631
Share granted in 2018	0.00~4.00	1.34%	-	42,336~47,631
Share granted in 2019	1.00~3.00	1.34%	-	43,659~46,281

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

As at December 31, 2019 and 2018, the accrued expenses related to share-based payments, including share grants, amounted to ₩41,344 million and ₩40,873 million, respectively, and the compensation costs from share grants amounting to ₩15,173 million and ₩4,051 million were incurred during the years ended December 31, 2019 and 2018, respectively.

30.2.2 Mileage Stock

Details of Mileage Stock as at December 31, 2019, are as follows:

(In number of shares)	Grant date	Number of granted shares[1]	Expected exercise period (Years)[2]	Number of exercisable shares
Share granted in 2017	2017-01-09	28,925	0.00~0.02	11,365
	2017-02-03	43	0.00~0.09	28
	2017-04-03	82	0.00~0.25	61
	2017-05-22	20	0.00~0.39	20
	2017-07-03	52	0.00~0.50	52
	2017-08-07	29	0.00~0.60	19
	2017-08-08	5	0.00~0.60	2
	2017-08-16	204	0.00~0.62	151
	2017-08-17	40	0.00~0.63	24
	2017-08-24	387	0.00~0.65	288
	2017-09-08	83	0.00~0.69	73
	2017-11-01	120	0.00~0.84	103
	2017-11-06	106	0.00~0.85	101
	2017-12-06	105	0.00~0.93	83
	2017-12-26	255	0.00~0.99	175
	2017-12-29	114	0.00~0.99	58
Share granted in 2018	2018-01-10	19,197	0.00~1.03	15,430
	2018-02-12	9	0.00~1.12	7
	2018-04-02	115	0.00~1.25	99
	2018-04-30	86	0.00~1.33	62
	2018-05-08	170	0.00~1.35	150
	2018-06-01	140	0.00~1.42	121
	2018-07-02	180	0.00~1.50	123
	2018-08-07	194	0.00~1.60	175
	2018-08-09	47	0.00~1.61	38
	2018-08-14	30	0.00~1.62	30
	2018-08-16	130	0.00~1.62	112
	2018-09-07	106	0.00~1.68	82
	2018-10-04	129	0.00~1.76	106
	2018-11-01	258	0.00~1.84	248
	2018-11-06	236	0.00~1.85	206
	2018-12-03	132	0.00~1.92	132
	2018-12-04	21	0.00~1.93	21
	2018-12-07	91	0.00~1.93	91
	2018-12-12	64	0.00~1.95	57
	2018-12-18	271	0.00~1.96	271
	2018-12-19	42	0.00~1.97	42
	2018-12-31	127	0.00~2.00	127
	2019-01-11	26,580	0.00~2.03	25,563
	2019-02-01	12	0.00~2.09	12
	2019-04-01	167	0.00~2.25	167
	2019-04-18	105	0.00~2.30	105

	2019-04-22	33	0.00~2.31	33
Share granted in 2019	2019-07-01	109	0.00~2.50	109
	2019-08-29	39	0.00~2.66	39
	2019-09-02	50	0.00~2.67	50
	2019-11-01	119	0.00~2.84	119
	2019-11-08	14	0.00~2.85	14
	2019-12-05	56	0.00~2.93	56
	2019-12-06	84	0.00~2.93	84
	2019-12-31	87	0.00~3.00	87
		79,800		56,771

[1] Mileage stock is exercisable for two years after one year from the grant date. When the mileage stock is exercised, the closing price of prior month is applied. However, in case of transfer or retirement during the vesting period, mileage stock is exercisable at the closing price of the last month prior to transfer or retirement.
[2] The exercisable shares are assessed based on the stock price as at December 31, 2019. These shares are vested immediately at grant date.

The accrued expenses for share-based payments in regard to mileage stock as at December 31, 2019 and 2018, are ₩2,705 million and ₩2,283 million, respectively. The compensation costs amounting to ₩1,334 million and ₩1,350 million were recognized as an expense for the years ended December 31, 2019 and 2018, respectively.

31. Non-operating Income and Expenses

Details of non-operating income and expenses for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Non-operating income		
Gains on disposal in property and equipment and assets held for sale	3,343	152,852
Rental income	24,640	26,429
Others	57,634	17,515
	85,617	196,796
Non-operating expenses		
Losses on disposal in property and equipment and assets held for sale	4,591	5,590
Donation	84,211	91,943
Restoration cost	3,017	1,854
Others	32,685	53,237
	124,504	152,624
Net non-operating income (expenses)	(38,887)	44,172

32. Income Tax Expense

Income tax expense for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Tax payable		
Current tax expense	793,937	806,618
Adjustments recognized in the period for current tax of prior years	(24,034)	(4,856)
	769,903	801,762
Changes in deferred income tax assets (liabilities)	128,653	26,696
Income tax expense of overseas branches	8,615	6,863
Income tax recognized directly in equity		
Net losses on equity instruments at fair value through other comprehensive income	(502)	13,660
Net losses on debt instruments at fair value through other comprehensive income	(12,709)	(21,703)
Exchange difference in foreign operation	(4,488)	(9,346)
Remeasurements of net defined benefit liabilities	15,313	36,336
Gains on hedges of a net investment in a foreign operations	2,378	9,629
Gains on cash flow hedging instruments	5,777	(1,437)
Share of other comprehensive income of associates	(2,862)	1,283
	2,907	28,422
Reclassification of sale of securities at fair value through other comprehensive income	7,007	(5,172)
Consolidated tax effect	(37,692)	(31,431)
Tax expense	879,393	827,140

An analysis of the net profit before income tax and income tax expense for the years ended December 31, 2019 and 2018, follows:

(In millions of Korean won)	**2019**	**2018**
Profit before income tax	3,318,472	3,086,338
Tax at the applicable tax rate[1]	902,218	838,381
Non-taxable income	(4,035)	(2,967)
Non-deductible expense	12,174	12,964
Tax credit and tax exemption	(381)	(275)
Temporary difference for which no deferred tax is recognized	1,253	1,112
Tax supplementary pay (rebate) for tax of prior years	(9,938)	(2,771)
Income tax expense of overseas branch	8,615	6,863
Tax effect of investments in subsidiaries	81	1,878
Foreign subsidiary tax rate difference effect	(774)	(1,470)
Consolidated tax effect	(37,692)	(31,431)
Others	7,872	4,856
Tax expense	879,393	827,140
Tax expense / Profit before income tax (%)	26.50	26.80

[1] Applicable income tax rate for ₩200 million and below is 11%, for over ₩200 million to ₩20 billion is 22%, and for over ₩20 billion to ₩300 billion is 24.2%, for over ₩300 billion is 27.5% as at December 31, 2019 and 2018.

Details of current tax liabilities (income tax payables) and current tax assets (income tax refund receivables) before offsetting, as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Tax payables after offsetting[1, 2]	405,894	623,867
Adjustment on consolidated tax payable and others[3]	(37,692)	(31,431)
Accounts payables[4]	(359,864)	(586,699)
Current tax payable	8,338	5,737

[1] Current tax assets of ₩ 9,692 million (December 31, 2018: ₩ 486 million) and current tax assets of ₩ 4,212 million (December 31, 2018: ₩ 4,152 million) for overseas branches were excluded due to an uncertain tax position which does not qualify for offsetting.
[2] Includes income tax payable of ₩ 8,338 million (December 31, 2018: ₩ 5,737 million) under current tax liabilities as at December 31, 2019, which are not to be offset against any income tax refund receivables, such as those of overseas branches.
[3] Tax expense reduced due to the adoption of consolidated tax return was recognized as tax benefit.
[4] The amount of income tax payable by the Bank is reclassified as accounts payable, not to the tax authority, but to KB Financial Group Inc. due to the adoption of consolidated tax return.

33. Dividends

The dividend to the shareholder of the Bank in respect of the year ended December 31, 2019, of ₩1,810 per share, amounting to total dividends of ₩ 731,926 million, is to be proposed at the annual general shareholder’s meeting on March 19, 2020. The Bank's financial statements as at December 31, 2019, do not reflect this dividend payable.

34. Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
	Beginning	**Changes (excluding reclassification)**	**Reclassification to profit or loss**	**Tax effect**	**Transfer to retained earnings**	**Ending**
Remeasurements of net defined benefit liabilities	(175,698)	(55,682)	-	15,313	-	(216,067)
Currency translation differences	(10,328)	25,406	5,353	(4,488)	-	15,943
Net gains (losses) on debt instruments at fair value through other comprehensive income	22,475	98,224	(51,240)	(12,709)	-	56,750
Net gains (losses) on equity instruments at fair value through other comprehensive income	302,014	(23,657)	-	(502)	25,483	303,338
Share of other comprehensive income of associates	(3,259)	10,408	-	(2,862)	-	4,287
Gains(losses) on cash flow hedging instruments	11,539	(18,108)	(2,899)	5,777	-	(3,691)
Gains (losses) on hedges of a net investment in a foreign operations	(30,959)	(9,962)	1,317	2,378	-	(37,226)
	115,784	26,629	(47,469)	2,907	25,483	123,334

(In millions of Korean won)

	2018					
	Beginning[1]	**Changes (excluding reclassification)**	**Reclassification to profit or loss**	**Tax effect**	**Transfer to retained earnings**	**Ending**
Remeasurements of net defined benefit liabilities	(79,902)	(132,132)	-	36,336	-	(175,698)
Currency translation differences	(37,711)	21,672	15,057	(9,346)	-	(10,328)
Net gains (losses) on debt instruments at fair value through other comprehensive income	(34,713)	72,415	6,476	(21,703)	-	22,475
Net gains (losses) on equity instruments at fair value through other comprehensive income	338,027	(30,863)	-	13,660	(18,810)	302,014
Share of other comprehensive income of associates	124	(4,666)	-	1,283	-	(3,259)
Gains(losses) on cash flow hedging instruments	7,751	6,980	(1,755)	(1,437)	-	11,539
Gains (losses) on hedges of a net investment in a foreign operations	(5,573)	(22,685)	(12,330)	9,629	-	(30,959)
	188,003	(89,279)	7,448	28,422	(18,810)	115,784

[1] Restated based on Korean IFRS 1109.

35. Trust Accounts

Financial information of the trust segments the Group manages as at December 31, 2019 and 2018, and for the years ended December 31, 2019 and 2018, is as follows:

(In millions of Korean won)	**Total assets**		**Operating revenues**	
	2019	**2018**	**2019**	**2018**
Consolidated	4,384,959	4,259,441	137,017	127,994
Unconsolidated	51,685,885	47,644,193	2,206,184	1,609,587
	56,070,844	51,903,634	2,343,201	1,737,581

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

Significant receivables and payables related to the Group's trust accounts as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)		**2019**	**2018**
Trust	**Assets**		
Segment	Accrued trust fees	37,340	36,172
	Other accrued income	23,976	23,658
		61,316	59,830
	Liabilities		
	Due to trust accounts	1,268,401	1,160,152
	Accrued interest on due to trust accounts	7,081	6,267
	Deposits	278,975	345,873
	Accrued interest on deposits	2,481	24,867
		1,556,938	1,537,159
Custody	**Assets**		
Segment	Accrued trust fees	6,387	5,549
	Liabilities		
	Due to trust accounts	3,948,059	4,124,955
	Accrued interest on due to trust accounts	3,055	4,280
		3,951,114	4,129,235

Significant revenue and expenses related to the Group's trust accounts for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)		2019	2018
Trust Segment	**Revenues**		
	Fees and commissions from trust accounts	276,985	259,170
	Management fees and commissions from retirement pension	25,741	25,321
	Commissions from early termination in trust accounts	119	88
		302,845	284,579
	Expenses		
	Interest expenses on due to trust accounts	20,515	17,842
	Interest expenses on deposits	12,926	21,389
		33,441	39,231
Custody Segment	**Revenues**		
	Fees and commissions from trust accounts	31,099	28,215
	Expenses		
	Interest expenses on due to trust accounts	45,191	43,612

36. Supplemental Cash Flow Information

Cash and cash equivalents as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019	2018
Cash	2,310,852	2,185,156
Checks with other banks	383,501	872,166
Due from Bank of Korea	8,336,097	8,911,607
Due from other financial institutions	3,450,859	2,920,081
	14,481,309	14,889,010
Restricted due from financial institutions	(8,759,432)	(9,203,801)
Due from financial institutions with original maturities over three months	(842,565)	(828,714)
	(9,601,997)	(10,032,515)
	4,879,312	4,856,495

Significant non-cash transactions for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**2019**	**2018**
Decrease in loans due to the write-offs	539,584	526,134
Changes in accumulated other comprehensive income due to gains and losses on debt instruments at fair value through other comprehensive income	34,275	57,188
Changes in accumulated other comprehensive income due to investment in associates	7,546	(4,665)
Changes in financial investments due to debt-for-equity swap	88,958	22,286

Cash inflows and outflows from income tax, interest and dividends for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	**Activities**	**2019**	**2018**
Income tax paid	Operating	961,615	396,072
Interest received	Operating	10,968,984	10,162,987
Interest paid	Operating	4,325,880	3,483,064
Dividends received	Operating	101,657	97,440
Dividends paid	Financing	667,226	640,132

Changes in liabilities arising from financial activities for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

	2019							
	Derivative financial instrument for hedging purposes[1]	**Debts**	**Debentures**	**Payables to trust accounts**	**Lease liabilities**	**Deposits for letter of guarantees and others**	**Other payable**	**Total**
Beginning	14,643	17,496,056	23,163,585	5,285,107	340,522	156,364	104,184	46,560,461
Cash flow	(28,631)	1,290,505	(4,561,661)	(68,647)	(164,201)	130,566	(32,864)	(3,434,933)
Lease newly acquired and disposal	-	-	-	-	160,451	-	-	160,451
Exchange differences	-	355,151	56,463	-	-	-	-	411,614
Changes in fair values	(108,220)	-	67,297	-	-	-	-	(40,923)
Changes from business combination	-	-	-	-	-	-	93,277	93,277
Other changes from non-cash transactions	7,618	(450)	14,308	-	7,645	16	(103,313)	(74,176)
Ending	(114,590)	19,141,262	18,739,992	5,216,460	344,417	286,946	61,284	43,675,771

(In millions of Korean won)

	2018							
	Derivative financial instrument for hedging purposes[1]	**Debts**	**Debentures**	**Payables to trust accounts**	**Finance lease liabilities**	**Deposits for letter of guarantees and others**	**Other payable**	**Total**
Beginning	(3,659)	15,810,753	19,183,798	5,018,031	1,642	351,455	144,636	40,506,656
Cash flow	(17,698)	1,517,014	3,795,428	267,076	(11,242)	(205,302)	(3,170)	5,342,106
Lease newly acquired	-	-	-	-	17,555	-	-	17,555
Exchange differences	-	169,122	147,306	-	-	-	-	316,428
Changes in fair values	30,679	-	4,019	-	-	-	-	34,698
Changes from business combination	-	-	-	-	-	-	(48,711)	(48,711)
Other changes from non-cash transactions	5,321	(833)	33,034	-	110	10,211	11,429	59,272
Ending	14,643	17,496,056	23,163,585	5,285,107	8,065	156,364	104,184	46,228,004

[1] Derivative financial instruments held for hedging are shown at net amounts of liabilities and assets.

37. Contingent Liabilities and Commitments

Acceptances and guarantees as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019	2018
Confirmed acceptances and guarantees		
Confirmed acceptances and guarantees in Korean won		
Acceptances and guarantees for KB purchasing loan	161,314	196,517
Performance bond	3,686	-
Refund guarantees	28,021	-
Others	715,116	597,636
	908,137	794,153
Confirmed acceptances and guarantees in foreign currencies		
Acceptances of letter of credit	155,151	208,926
Letter of guarantees	49,754	53,210
Bid bond	37,765	51,528
Performance bond	718,097	604,311
Refund guarantees	1,022,646	592,925
Others	2,935,939	2,539,900
	4,919,352	4,050,800
Financial guarantees		
Acceptances and guarantees for mortgage	47,384	50,497
Overseas debt guarantees	406,680	311,796
International financing guarantees in foreign currencies	231,685	110,070
Others	230,000	270,000
	915,749	742,363
	6,743,238	5,587,316
Unconfirmed acceptances and guarantees		
Guarantees of letter of credit	1,845,509	1,745,340
Refund guarantees	654,496	686,843
	2,500,005	2,432,183
	9,243,243	8,019,499

Guarantee exposure by credit ratings

The credit quality of the guarantees exposure as at December 31, 2019 and 2018 can be categorized as follows:

(In millions of Korean won)

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

(In millions of Korean won)

	2018			
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		
		Non-impaired	Impaired	Total
Confirmed acceptances and guarantees				
Grade 1	3,726,259	179	-	3,726,438
Grade 2	1,571,258	29,034	-	1,600,292
Grade 3	84,251	13,585	-	97,836
Grade 4	30,443	117,166	420	148,029
Grade 5	-	171	14,550	14,721
	5,412,211	160,135	14,970	5,587,316
Unconfirmed acceptances and guarantees				
Grade 1	1,102,478	1,747	-	1,104,225
Grade 2	1,180,137	17,795	-	1,197,932
Grade 3	25,749	16,225	-	41,974
Grade 4	9,627	66,186	-	75,813
Grade 5	-	219	12,020	12,239
	2,317,991	102,172	12,020	2,432,183
	7,730,202	262,307	26,990	8,019,499

[1] Applied same criteria as the credit quality classification of loans.

Acceptances and guarantees by counterparty as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

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

(In millions of Korean won)

	2018			
	Confirmed guarantees	**Unconfirmed guarantees**	**Total**	**Proportion (%)**
Large companies	4,775,838	1,901,951	6,677,789	83.27
Small and medium sized companies	617,458	423,947	1,041,405	12.99
Public and others	194,020	106,285	300,305	3.74
	5,587,316	2,432,183	8,019,499	100.00

Acceptances and guarantees by industry as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

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

(In millions of Korean won)

	2018			
	Confirmed guarantees	**Unconfirmed guarantees**	**Total**	**Proportion (%)**
Financial institutions	72,071	3,736	75,807	0.95
Manufacturing	2,981,245	1,451,657	4,432,902	55.27
Service	931,680	84,586	1,016,266	12.67
Wholesale and retail	998,333	723,367	1,721,700	21.47
Construction	280,146	40,988	321,134	4.00
Public	165,571	36,256	201,827	2.52
Others	158,270	91,593	249,863	3.12
	5,587,316	2,432,183	8,019,499	100.00

Commitments as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019	2018
Commitments		
Corporate loan commitments	41,340,286	36,929,404
Retail loan commitments	42,492,182	41,283,734
Other acceptance and guarantees in Korean won	1,300,000	1,300,000
Purchase of securities	2,733,757	1,765,445
	87,866,225	81,278,583
Financial Guarantees		
Credit line	1,797,802	1,956,426
Purchase of securities	591,500	436,800
	2,389,302	2,393,226
	90,255,527	83,671,809

Other Matters (including litigation)

a) The Group has filed 58 lawsuits (excluding minor lawsuits in relation to the collection or management of loans), as the plaintiff, involving aggregate claims of ₩ 293,254 million, and faces 97 lawsuits as the defendant (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩ 156,914 million, which arose in the normal course of the business and are still pending as at December 31, 2019.

b) As at December 31, 2019, the Group has entered into construction contracts amounting to ₩ 155,546 million related to the construction of integrated headquarters building and payments made up to December 31, 2019 amount to ₩ 41,598 million.

c) As at December 31, 2019, the Group has entered into construction contracts amounting to ₩ 250,458 million related to the construction of The K Project(IT infrastructure construction business needed KB's Digital Transformation to cope with change of IT technology and finance environment), and payments made until December 31, 2019 amount to ₩ 60,462 million.

d) The Group has entered into a share purchase agreement to acquire a 70% shares in PRASAC(PRASAC Microfinance Institution Limited), a microfinance deposit taking institution in Cambodia, for US$ 603 million from the existing shareholders on January 6, 2020. The consummation of the acquisition is subject to approvals by the domestic and foreign financial authorities.

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

d) The face values of the securities sold to general customers through tellers' sale amount to ₩ 372 million and ₩ 372 million as at December 31, 2019 and 2018, respectively.

38. Subsidiaries

Details of subsidiaries as at December 31, 2019, are as follows:

Investor	Investee	Ownership (%)	Location	Industry
Kookmin Bank	Kookmin Bank Int'l Ltd.(London)[1]	100.00	United Kingdom	Banking and foreign exchange transaction
Kookmin Bank	Kookmin Bank Cambodia PLC.	100.00	Cambodia	Banking and foreign exchange transaction
Kookmin Bank	Kookmin Bank (China) Ltd.	100.00	China	Banking and foreign exchange transaction
Kookmin Bank	KB Microfinance Myanmar Co., Ltd	100.00	Myanmar	Micro finance services
Kookmin Bank	Personal pension trust and 10 others[2]	0.00	Korea	Trust
Kookmin Bank	KH the 2nd L.L.C. and 39 others[3]	0.00	Korea	Asset-backed securitization and others
Kookmin Bank	KB Wise Star Private Real Estate Feeder Fund 1[3]	86.00	Korea	Investment Trust
KB Wise Star Private Real Estate Feeder Fund 1	KB Star Office Private Real Estate Master Fund 2[3]	44.44	Korea	Investment Trust
Kookmin Bank	KB Haeorum Private Securities 83[3]	99.94	Korea	Investment Trust
Kookmin Bank	Kiwoom Frontier Private placement fund 10[Bond][3]	99.90	Korea	Investment Trust
Kookmin Bank	Woori Safe Plus Qualified Private Trust S-8(Bond)[3]	99.96	Korea	Investment Trust
Kookmin Bank	Mirae Asset Triumph Global Privately placed Feeder Investment Trust 1[3]	99.92	Korea	Investment Trust
Mirae Asset Triumph Global Privately placed Feeder Investment Trust 1	Mirae Asset Triumph Global Privately placed Master Investment Trust 1	100.00	Korea	Investment Trust
Mirae Asset Triumph Global Privately placed Feeder Investment Trust 1	Mirae Asset Triumph Global Privately placed Master Investment Trust 2	100.00	Korea	Investment Trust
Kookmin Bank	NH-Amundi Global Private Securities Investment Trust 1(BOND)[3]	77.78	Korea	Investment Trust
Kookmin Bank	Meritz Private Real Estate fund No.9-2[3]	99.98	Korea	Investment Trust
Kookmin Bank	AIP US Red Private Real Estate Trust NO.10[3]	99.97	Korea	Investment Trust
Kookmin Bank	KB Leaders Private placement fund 10[Bond][3]	87.53	Korea	Investment Trust
Kookmin Bank	Samsung KODEX 10Y F-SKTB Inverse ETF(Bond-Derivatives)[3]	98.56	Korea	Investment Trust
Kookmin Bank	KB Core Blind Private Estate Fund 1st[3]	90.09	Korea	Investment Trust
KB Core Blind Private Estate Fund 1st	Wise Star Private Real Estate Feeder Fund 3rd[3]	46.65	Korea	Investment Trust
Kookmin Bank	KB Global Private Real Estate Debt Fund 3rd(USD)[3]	99.50	Korea	Investment Trust

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

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

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

KB Western Inland highway Private Special Asset Fund(SOC) and Koratevien Specialist Private Equity Fund 1 as structured companies that hold more than half of their ownership percentage but do not have the strength to related activities in accordance with agreements with trust and other sharerholders are excluded from the consolidation.

The condensed financial information of major subsidiaries as at December 31, 2019 and 2018, and for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019				
	Assets	**Liabilities**	**Equity**	**Operating revenue**	**Profit (loss) for the period**
Kookmin Bank Int'l Ltd.(London)	37,404	887	36,517	558	293
Kookmin Bank Cambodia PLC.	307,604	208,670	98,934	15,815	2,851
Kookmin Bank (China) Ltd.	3,032,642	2,599,516	433,126	135,117	12,462
KB Microfinance Myanmar Co., Ltd	24,188	2,559	21,629	4,349	(149)
Personal pension trust and 10 others	4,413,755	4,299,288	114,467	141,162	3,515

(In millions of Korean won)	2018				
	Assets	**Liabilities**	**Equity**	**Operating revenue**	**Profit (loss) for the period**
Kookmin Bank Int'l Ltd.(London)	35,923	940	34,983	7,330	1,331
Kookmin Bank Hongkong Ltd.[1]	-	-	-	5,716	5,434
Kookmin Bank Cambodia PLC.	197,135	104,328	92,807	10,307	1,621
Kookmin Bank (China) Ltd.	2,605,033	2,192,469	412,564	138,453	14,819
KB Microfinance Myanmar Co., Ltd	20,941	879	20,062	2,783	538
Personal pension trust and 10 others	4,284,440	4,173,488	110,952	144,767	3,966

[1] Liquidation was completed during the year ended December 31, 2018.

Nature of the risks associated with interests in consolidated structured entities

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

- The Bank provides the capital commitments of ₩ 172,000 million to KB Wise Star Private Real Estate

Feeder Fund 1st, of which ₩ 817 million has not been utilized, of ₩ 57,878 million to Meritz Private Real Estate fund No.9-2, of which ₩ 24,258 million has not been utilized, and of ₩ 100,000 million to KB Core Blind Private Estate Fund 1st, of which ₩ 66,842 million has not been utilized. Based on the investment agreement, the Bnak is subject to increase its investment upon the request of the asset management company or agreement among existing investors.

- The Bank has provided purchase commitment and grant of credit to the structured entities that are considered as subsidiaries. The Bank should purchase unsold commercial paper securities if there is a shortage of the investors for the commercial paper securities issued by the structured entity. If events causing the cessation of the issuance of commercial paper securities occur or if the structured entities become insolvent, the Bank should provide loans to the structured entities under certain conditions.

(In millions of Korean won)	**2019**
KH the 2nd L.L.C.	41,309
Silver Investment 2nd Inc.	50,000
KH the 3rd L.L.C.	30,100
KBH the 1st L.L.C.	8,070
HLD the 3rd L.L.C.	111,600
KBH the 3rd L.L.C.	30,217
KBC the 2nd L.L.C.	30,186
KLD the 1st L.L.C..	13,100
LOG the 3rd L.L.C.	24,300
KBL Incheon 1st L.L.C.	101,000
KB DTower 1st L.L.C.	50,151
KB Display 1st L.L.C.	100,303
KB Firstpark L.L.C	48,450
KB Alminium 1st L.L.C	50,236
KB INO 2nd L.L.C.	30,131
KBH the 5th L.L.C	25,072
KB Happy 1st L.L.C	50,138
KL Industrial 2nd L.L.C	30,164
KB Socio the 1st L.L.C.	30,187
KB Industry the 1st L.L.C.	30,158
KBST the 1st L.L.C	30,078
KBH the 4th L.L.C	30,168
KB Geumjeong Hill L.L.C	65,130
KBM the 1st L.L.C	45,220
KB Future the 1st L.L.C	30,127
Great Forest the 1st L.L.C	25,149
KBC the 3rd L.L.C.	35,074
KBH the 6th L.L.C	50,064
KB industry 2nd L.L.C	30,151
Beomuh Landmark the 2nd L.L.C	60,216
KB Firstville the 1st L.L.C	19,081
KB Handok the 1st L.L.C.	30,029
KB Heracles the 1st L.L.C.	25,131
KB World Vista the 1st L.L.C.	19,790
SLT Gamsam Co., Ltd.	24,300
K plus the 1st L.L.C.	200,369

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

Changes in subsidiaries

KBH the 5th L.L.C and 26 other subsidiaries were newly included in the consolidation scope, and KL the 1st L.L.C. and 19 other subsidiaries were excluded from the scope of consolidation due to redemption and others during the nine-month periods ended December 31, 2019.

Net cash flow from change in subsidiaries

The net cash inflow from subsidiaries newly consolidated and de-consolidated is amounting to ₩174,559 million and ₩37,720 million, respectively for the year ended December 31, 2019.

39. Unconsolidated Structured Entity

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

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

As at December 31, 2019 and 2018, the size of the unconsolidated structured entities and the risks associated with its interests in unconsolidated structured entities are as follows:

(In millions of Korean won)

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

(In millions of Korean won)

	2018			
	Asset-backed securitization	**Structured finance**	**Investment funds**	**Total**
Total assets of the unconsolidated structured entities	81,464,276	29,714,246	28,470,016	139,648,538
Carrying amount on financial statements				
Assets				
Financial assets at fair value through profit or loss	213,279	19,985	2,241,304	2,474,568
Derivative financial assets	4,034	-	22,250	26,284
Loans at amortized cost	60,404	2,456,843	-	2,517,247
Financial investments	5,458,105	-	-	5,458,105
Investments in associates	-	-	277,645	277,645
Other assets	-	-	-	-
	5,735,822	2,476,828	2,541,199	10,753,849
Liabilities				
Deposits	291,465	970,890	62,319	1,324,674
Derivative financial liabilities	331	-	-	331
Other liabilities	893	1,200	58	2,151
	292,689	972,090	62,377	1,327,156
Maximum exposure to loss				
Asset[1]	5,735,822	2,476,828	2,541,199	10,753,849
Purchase and capital commitments	-	20,000	1,664,461	1,684,461
Acceptances and guarantees and Loan commitments	2,476,060	1,562,943	-	4,093,003
	8,211,882	4,059,771	4,205,660	16,477,313
Methods of determining the maximum exposure to loss	Providing lines of credit / Purchase commitments/ Acceptances and guarantees and Loan commitments	Loan commitments / Capital commitments / Purchase commitments and Acceptances and guarantees	Capital commitments	

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

40. Leases

The amounts recognized in the consolidated statements of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

(In millions of Korean won)

	December 31, 2019	January 1, 2019
Right-of-use property and equipment[1]		
Real estate	341,288	354,473
Vehicles	8,207	11,181
Others	15,319	10,952
	364,814	376,606
Right-of-use intangible assets[1]	9,639	15,162
	9,639	15,162
	374,453	391,768
Lease liabilities[1]	344,417	340,522

[1] It is included in property and equipment, intangible assets and other liabilities.

The amounts recognized in the consolidated statements of comprehensive income

The amounts related to lease recognized in the consolidated statements of comprehensive income for the years ended Decemmber 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019	2018
Depreciation and amortization of right-of-use assets		
Real estate	197,909	-
Vehicles	13,684	-
Others	6,972	-
Intangible asset	6,519	-
	225,084	-
Interest expenses on the lease liabilities (Included in finance charges)	7,645	-
Expense relating to short-term leases (Included in administrative expenses)	1,996	-
Expense relating to leases of low-value assets that are not short-term leases (Included in administrative expenses)	1,034	-

The total cash outflow for leases in 2019 was ₩ 167,442 million.

Finance lease - 2018

The future minimum lease payments classified as a finance lease as at December 31, 2018 is as follows:

(In millions of Korean won)	2018
Net carrying amount of finance lease assets	26,083
Minimum lease payments	
Within 1 year	5,824
1-5 years	2,406
	8,230
Present value of minimum lease payments	
Within 1 year	5,716
1-5 years	2,349
	8,065

Operating Lease - 2018

The Group as an Operating Lessee

The future minimum lease payments arising from the non-cancellable lease contracts as at December 31, 2018 is as follows:

(In millions of Korean won)	2018
Minimum lease payments	
Within 1 year	135,474
1-5 years	192,148
Over 5 years	16,675
	344,297
Minimum sublease payments	(2,323)

The lease payments reflected in profit or loss for the year ended December 31, 2018 is as follows:

(In millions of Korean won)	2018
Lease payments reflected in profit or loss	
Minimum lease payments	161,936
Sublease payments	(1,769)
	160,167

The Group as an Operating Lessor

The future minimum lease receipts arising from the non-cancellable lease contracts as at December 31, 2018 is as follows:

(In millions of Korean won)	2019	2018
Minimum lease receipts		
Within 1 year	23,796	17,376
1-5 years	41,193	23,984
Over 5 years	4,366	-
	69,355	41,360

41. Related Party Transactions

Profit or loss arising from transactions with related parties for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)		2019	2018
Parent			
KB Financial Group Inc.	Fee and commission income	5,355	4,644
	Other non-operating income	932	808
	Interest expense	1,574	5,178
	Fee and commission expense	1	-
	Other operating expense	69	-
	General and administrative expenses	841	778
Parent's subsidiaries			
KB Securities Co., Ltd.	Interest expense	1,325	459
	Fee and commission income	14,298	15,770
	Gains on financial instruments at fair value through profit or loss	39,373	8,583
	Reversal of credit losses	6	-
	Other non-operating income	8,849	10,371
	Interest expense	6,307	3,771
	Fee and commission expense	726	1,079
	Losses on financial instruments at fair value through profit or loss	13,616	8,448
	Other operating expense	134	-
	Provision for credit losses	-	21
	General and administrative expenses	-	8,361
KB Asset Management Co., Ltd.	Fee and commission income	1,201	1,085
	Other non-operating income	4	4
	Interest expense	90	95
	Fee and commission	986	3,157

	expense		
	Other operating expense	15	-
	General and administrative expenses	500	458
KB Real Estate Trust Co., Ltd.	Fee and commission income	211	134
	Other non-operating income	45	42
	Interest expense	328	197
	Fee and commission expense	1,899	2,282
KB Investment Co., Ltd.	Fee and commission income	42	23
	Interest expense	1,019	376
KB Credit Information Co., Ltd.	Fee and commission income	64	58
	Other non-operating income	232	205
	Interest expense	134	85
	Fee and commission expense	20,508	16,780
KB Data System Co., Ltd.	Fee and commission income	225	202
	Other non-operating income	92	98
	Interest expense	309	250
	General and administrative expenses	50,074	50,803
KB Life Insurance Co., Ltd.	Fee and commission income	14,075	12,471
	Gains on financial instruments at fair value through profit or loss	14,612	14,064
	Other non-operating income	2,898	4,284
	Interest expense	1,062	983
	Fee and commission expense	8	12
	Losses on financial instruments at fair value through profit or loss	2,853	3,421
	Other operating expense	11	-
	General and administrative	1,286	1,582

	expenses		
KB Kookmin Card Co., Ltd.	Interest income	4,054	3,855
	Fee and commission income	211,806	211,328
	Gains on financial instruments at fair value through profit or loss	2,348	2,730
	Reversal of credit losses	54	7
	Other non-operating income	1,314	983
	Interest expense	1,073	870
	Fee and commission expense	1,732	1,587
	Losses on financial instruments at fair value through profit or loss	38	400
	Provision for credit losses	-	4
	General and administrative expenses	153	216
KB Savings Bank Co., Ltd.	Fee and commission income	736	379
	Other non-operating income	50	44
	Interest expense	6	2
	Fee and commission expense	17	24
KB Capital Co., Ltd.	Interest income	2,907	1,989
	Fee and commission income	2,968	2,311
	Other non-operating income	167	208
	Interest expense	670	1,138
	Fee and commission expense	44	61
	Other operating expense	-	5
	Provision for credit losses	46	163
	General and administrative expenses	-	16
KB Insurance Co., Ltd.	Interest income	79	45
	Fee and commission income	23,458	22,948
	Gains on financial instruments at fair	74,576	24,999

	value through profit or loss		
	Other non-operating income	361	363
	Interest expense	1,806	2,112
	Fee and commission expense	1	967
	Losses on financial instruments at fair value through profit or loss	7,468	4,328
	Other operating expense	-	16
	Provision for credit losses	6	-
	General and administrative expenses	15,576	15,667
Hanbando BTL Private Special Asset Fund	Fee and commission income	149	160
KB Senior Loan Private Fund No.1	Fee and commission income	8	20
KB Evergreen Private Securities Fund 98(Bond)[1]	Fee and commission income	-	5
KB AMP Infra Private Special Asset Fund 1 (FoFs)	Fee and commission income	11	5
KB Onkookmin 2020 TDF Fund (FoFs) [1]	Fee and commission income	-	1
KB Onkookmin 2025 TDF Fund (FoFs) [1]	Fee and commission income	2	1
KB Onkookmin 2030 TDF Fund (FoFs)	Fee and commission income	2	1
KB Onkookmin 2035 TDF Fund (FoFs)[1]	Fee and commission income	-	2
KB Onkookmin 2040 TDF Fund (FoFs) [1]	Fee and commission income	-	1
KB Onkookmin 2045 TDF Fund (FoFs)	Fee and commission income	1	1
KB Onkookmin 2050 TDF Fund (FoFs) [1]	Fee and commission income	-	1
KB Muni bond Private Securities Fund 1 (USD)(bond)	Fee and commission income	11	10
KB Global Private Real Estate Debt Fund 1	Fee and commission income	10	5
KB Na Compass Energy Private Special Asset Fund	Fee and commission income	8	5
KB Star Office Private Real Estate Investment Trust No.3	Interest income	619	433
	Interest expense	110	48
KB Star Office Private Real Estate Investment Trust No.4	Interest income	760	396
	Fee and commission	19	10

	income		
	Interest expense	33	13
KB Korea Short Term Premium Private Securities 4(USD)(Bond)[1]	Fee and commission income	2	-
	Losses on financial instruments at fair value through profit or loss	2,931	-
KB Korea Short Term Premium Private Securities 5(USD)(Bond)[1]	Fee and commission income	9	2
	Gains on financial instruments at fair value through profit or loss	1,347	-
	Losses on financial instruments at fair value through profit or loss	12,104	-
KB Korea Short Term Premium Private Securities 10(USD)(Bond)[1]	Fee and commission income	1	-
KB Global Core Bond Securities Master Fund(Bond)	Fee and commission income	23	2
	Gains on financial instruments at fair value through profit or loss	1,276	-
	Losses on financial instruments at fair value through profit or loss	28	-
KB AU Infigen Energy Private Special Asset Fund	Fee and commission income	4	-
KB AU Infigen Energy Private Special Asset Fund 2rd	Fee and commission income	6	-
KB NA Loan Specialty Private Real Estate Investment Trust 1	Fee and commission income	1	-
	Gains on financial instruments at fair value through profit or loss	4	-
	Losses on financial instruments at fair value through profit or loss	335	-
KB NA Loan Specialty Private Real Estate Investment Trust 3	Fee and commission income	1	-
	Gains on financial instruments at fair value through profit or loss	209	-
	Losses on financial instruments at fair value through profit or loss	14	-
Associates			
Korea Credit Bureau Co., Ltd.	Fee and commission income	-	4
	Interest expense	21	127
	Fee and commission	1,601	1,486

	expense		
Incheon Bridge Co., Ltd.	Interest income	8,612	9,426
	Fee and commission income	-	9
	Gains on financial instruments at fair value through profit or loss	4,975	2,655
	Reversal of credit losses	5	-
	Interest expense	483	296
	Fee and commission expense	7	2
	Provision for credit losses	-	1
Dongjo Co., Ltd.	Reversal of credit losses	-	31
Dae-A Leisure Co., Ltd.	Interest expense	8	9
KB12-1 Venture Investment Partnership	Interest expense	3	24
Future Planning KB Start-up Creation Fund	Interest expense	-	18
KB High-tech Company Investment Fund	Interest expense	26	27
Aju Good Technology Venture Fund	Interest expense	22	30
KB-KDBC New Technology Business Investment Fund	Interest expense	58	39
KB Digital Innovation & Growth New Technology Business Investment Fund	Interest expense	8	7
KB-Brain KOSDAQ Scale-up Fund	Interest expense	89	21
KB Global Platform Fund	Interest expense	193	-
Associate of parent			
KB Star office private real estate Investment Trust No.1	Interest expense	208	93
Associates of parent's subsidiaries			
SY Auto Capital Co., Ltd.	Interest income	191	189
	Fee and commission income	-	1
	Reversal of credit losses	13	-
	Interest expense	1	-
	Provision for credit losses	-	14
KB No.8 Special Purpose Acquisition Company [1]	Interest expense	-	17
KB No.9 Special Purpose Acquisition Company [1]	Interest expense	(23)	43
KB No.10 Special Purpose Acquisition Company [1]	Interest expense	18	30
KB No.11 Special Purpose Acquisition Company[1]	Interest expense	9	12
KB No.17 Special Purpose Acquisition Company	Interest expense	28	-
KB No.18 Special Purpose Acquisition Company	Interest expense	28	-
KB No.19 Special Purpose Acquisition Company	Interest expense	8	-
KB No.20 Special Purpose Acquisition Company	Interest expense	3	-

RAND Bio Science Co., Ltd.	Interest expense	5	3
Wise Asset Management Co., Ltd.	Interest expense	2	9
Food Factory Co., Ltd.	Interest income	41	9
	Fee and commission expense	12	1
	Provision for credit losses	1	1
Acts Co., Ltd.	Interest income	1	-
APRO CO.,LTD.	Interest income	19	-
	Interest expense	4	1
	Fee and commission expense	17	-
JLK Inspection Inc.[1]	Interest expense	1	-
Rainist Co., Ltd.	Fee and commission income	39	-
	Interest expense	-	2
Spark Biopharma Inc. [1]	Interest expense	59	25
Stratio, Inc.	Interest expense	1	-
Nexelon Co.,Ltd [1]	Interest expense	2	-
CellinCells Co., Ltd	Interest expense	19	-
Bomap Inc	Interest expense	1	-
BNF Corporation Ltd.	Provision for credit losses	1	-
KB Pre IPO Secondary Venture Fund 1st	Interest expense	7	27
POSCO-KB Shipbuilding Fund	Interest expense	-	81
Inolanding Lab Inc. [1]	Fee and commission income	-	1
Other			
Retirement pension	Fee and commission income	939	876
	Interest expense	4	3

[1] Excluded from the Group's related party as of December 31, 2019.

Details of receivables and payables, and related allowances for loan losses arising from the related party transactions as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)		2019	2018
Parent			
KB Financial Group Inc.	Other assets	35	4,545
	Deposits	18,537	69,621
	Other liabilities	418,286	643,010
Parent's subsidiaries			
KB Securities Co., Ltd.	Cash and cash equivalents	1,387	5,286
	Derivative assets	9,424	3,935
	Loans at amortized cost (Gross amount)	65,289	25,617
	Allowances	23	21
	Other assets	18,320	8,644
	Derivative liabilities	3,979	1,412
	Deposits	423,053	334,470
	Provisions	30	37
	Other liabilities[2]	23,330	23,076
KB Asset Management Co., Ltd.	Other assets	260	209
	Deposits	6,929	3,284
	Other liabilities[3]	607	316
KB Real Estate Trust Co., Ltd.	Other assets	2	-
	Deposits	49,708	27,321
	Other liabilities[4]	3,964	3,050
KB Investment Co., Ltd.	Other assets	41	-
	Deposits	62,686	20,784
	Other liabilities	53	17
KB Credit Information Co., Ltd.	Deposits	4,047	4,240
	Other liabilities	6,022	5,659
KB Data System Co., Ltd.	Other assets	886	322
	Deposits	21,642	18,059
	Other liabilities	5,372	4,397
KB Life Insurance Co., Ltd.	Derivative assets	-	270
	Other assets	3,804	1,827
	Derivative liabilities	1,532	1,197
	Deposits	571	1,576
	Debts	25,000	25,000
	Other liabilities[5]	22,771	16,671
KB Kookmin Card Co., Ltd.	Derivative assets	676	-
	Loans at amortized cost (Gross amount)	19,683	3,354
	Allowances	8	2
	Other assets	30,938	24,582
	Derivative liabilities	-	612
	Deposits	74,800	84,089
	Provisions	238	298

	Other liabilities	59,277	59,748
KB Savings Bank Co., Ltd.	Other assets	144	2
	Other liabilities	389	391
KB Capital Co., Ltd.	Loans at amortized cost (Gross amount)	64,489	54,787
	Allowances	269	227
	Other assets	1,804	574
	Deposits	126,878	64,283
	Provisions	12	-
	Other liabilities	1,337	57
KB Insurance Co., Ltd.	Derivative assets	15,612	7,034
	Other assets	8,549	12,143
	Derivative liabilities	6,453	5,265
	Deposits	5,485	5,188
	Debts	20,000	20,000
	Debentures	29,991	30,002
	Provisions	6	-
	Other liabilities[6]	4,794	31,863
Hanbando BTL Private Special Asset Fund	Other assets	36	39
KB Senior Loan Private Fund No.1	Other assets	1	3
KB AMP Infra Private Special Asset Fund 1	Other assets	1	1
KB KBSTAR Mid-Long Term KTB Active ETF(Bond)	Other assets	500	-
KB Onkookmin 2030 TDF Fund(FoFs)	Other assets	1	-
KB Muni bond Private Securities Fund 1 (USD)	Other assets	2	2
KB Global Private Real Estate Debt Fund 1	Other assets	2	2
KB Na Compass Energy Private Special Asset Fund	Other assets	1	1
KB Star Office Private Real Estate Master Fund 3	Loans at amortized cost (Gross amount)	-	24,000
	Other assets	-	12
	Deposits	7,364	5,361
	Other liabilities	58	48
KB Star Office Private Real Estate Master Fund 4	Loans at amortized cost (Gross amount)	20,000	20,000
	Other assets	13	13
	Deposits	1,983	1,629
	Other liabilities	16	13
KB Korea Short Term Premium Private Securities 5[1]	Other assets	-	2
KB Korea Short Term Premium Private Securities 10	Other assets	1	-
KB Global Core Bond Securities	Other assets	2	2

Master Fund(Bond)			
KB AU Infigen Energy Private Special Asset Fund	Other assets	1	-
KB AU Infigen Energy Private Special Asset Fund 2	Other assets	1	-
KB NA Loan Specialty Private Real Estate Investment Trust 1	Other assets	1	-
	Derivative liabilities	335	-
KB NA Loan Specialty Private Real Estate Investment Trust 3	Other assets	1	-
	Derivative liabilities	6	-
Associates			
Korea Credit Bureau Co., Ltd.	Deposits	17,966	15,674
	Other liabilities	-	33
Incheon Bridge Co., Ltd.	Financial assets at fair value through profit or loss	37,857	32,882
	Loans at amortized cost (Gross amount)	147,700	158,200
	Allowances	11	14
	Other assets	520	736
	Deposits	45,447	43,666
	Provisions	6	7
	Other liabilities	346	24
Doosung Metal Co., Ltd.	Deposits	-	3
Jungdo Steel Co., Ltd.	Deposits	4	4
Dae-A Leisure Co., Ltd.	Deposits	753	1,229
	Other liabilities	14	7
Carlife Co., Ltd.	Deposits	-	2
Computerlife Co., Ltd.	Deposits	1	1
Skydigital INC.	Deposits	25	16
Jo Yang Industrial Co., Ltd.	Deposits	2	-
KB12-1 Venture Investment Partnership	Deposits	440	245
	Other liabilities	-	1
KB High-tech Company Investment Fund	Deposits	11,755	275
	Other liabilities	2	-
Aju Good Technology Venture Fund	Deposits	5,456	6,439
	Other liabilities	2	2
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	7,054	7,088
	Other liabilities	4	3
KB Digital Innovation & Growth New Technology Business Investment Fund	Deposits	12	618
KB-Brain KOSDAQ Scale-up Fund	Deposits	13,118	18,813
	Other liabilities	4	7
KB Global Platform Fund	Deposits	17,928	-
	Other liabilities	9	-
Associate of Parent			
KB Star Office Private Real Estate Investment Trust No.1	Deposits	8,293	7,946
	Other liabilities	66	58

Associates of Parent's subsidiaries			
SY Auto Capital Co., Ltd.	Loans at amortized cost (Gross amount)	1,900	8,300
	Allowances	4	18
	Other assets	-	9
	Deposits	8	5
	Provisions	13	11
	Other liabilities	2	2
KB No.9 Special Purpose Acquisition Company[1]	Deposits	-	2,275
	Other liabilities	-	42
KB No.10 Special Purpose Acquisition Company[1]	Deposits	-	1,666
	Other liabilities	-	11
KB No.11 Special Purpose Acquisition Company[1]	Deposits	-	658
	Other liabilities	-	2
KB No.17 Special Purpose Acquisition Company	Deposits	1,742	-
	Other liabilities	27	-
KB No.18 Special Purpose Acquisition Company	Deposits	2,140	-
	Other liabilities	28	-
KB No.19 Special Purpose Acquisition Company	Deposits	1,093	-
	Other liabilities	7	-
KB No.20 Special Purpose Acquisition Company	Deposits	1,984	-
	Other liabilities	3	-
RAND Bio Science Co., Ltd.	Deposits	4,452	232
Wise Asset Management Co., Ltd.	Deposits	21	696
	Other liabilities	-	2
Built On Co., Ltd. [1]	Deposits	-	7
Food Factory Co., Ltd.	Loans at amortized cost (Gross amount)	1,987	200
	Allowances	2	1
	Other assets	1	1
	Deposits	1,073	68
	Other liabilities	1	-
Acts Co., Ltd.	Deposits	1	29
Paycoms Co., Ltd.	Deposits	1	1
Big Dipper Co., Ltd.	Deposits	6	182
APRO Co.,Ltd.	Loans at amortized cost (Gross amount)	2,016	-
	Deposits	3,201	2,201
	Other liabilities	1	-
Rainist Co., Ltd.[1]	Deposits	-	1
Spark Biopharma Inc.[1]	Deposits	-	2,630
	Other liabilities	-	19
Stratio, Inc.	Deposits	726	516
CellinCells Co., Ltd	Deposits	1,545	-
	Other liabilities	1	-
Fabric Types CO.,LTD.	Deposits	395	-
	Other liabilities	2	-

BNF Corporation Ltd.	Loans at amortized cost (Gross amount)	1,400	-
	Other assets	2	-
	Deposits	947	-
	Other liabilities	6	-
KB IGen Private Equity Fund No.1	Deposits	147	148
KB Pre IPO Secondary Venture Fund 1	Deposits	2,955	1,115
	Other liabilities	1	1
Key management	Loans at amortized cost (Gross amount)	3,423	2,218
	Allowances	1	-
	Other assets	3	2
	Deposits	10,104	9,771
	Other liabilities	226	165
Other			
Retirement pension	Other assets	366	331
	Other liabilities	17,620	16,388

[1] Excluded from the Group's related party as of December 31, 2019.
[2] Non-controlling interest equity classified as liabilities include ₩ 3,602 million and ₩ 2,704 million as at December 31, 2019 and 2018, respectively.
[3] Non-controlling interest equity classified as liabilities include ₩ 325 million as at December 31, 2019.
[4] Non-controlling interest equity classified as liabilities include ₩ 3,596 million and ₩ 2,700 million as at December 31, 2019 and 2018, respectively.
[5] Non-controlling interest equity classified as liabilities include ₩ 19,604 million and ₩ 13,502 million as at December 31, 2019 and 2018, respectively.
[6] Non-controlling interest equity classified as liabilities include ₩ 1,624 million and ₩ 29,846 million as at December 31, 2019 and 2018, respectively.

Right-of-use assets and lease liability with related parties as at December 31, 2019, are as follows:

(In millions of Korean won)		**2019**
Parent's Subsidiaries		
KB Securities Co., Ltd.	Right-of-use assets	13,863
	Lease liabilities	16,658
KB Kookmin Card Co., Ltd.	Right-of-use assets	168
	Lease liabilities	28
KB Capital Co., Ltd.	Right-of-use assets	9
	Lease liabilities	23
KB Insurance Co., Ltd.	Right-of-use assets	5,693
	Lease liabilities	5,751

Notional amount of derivative assets and liabilities arising from the related party transactions as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)		**2019**	**2018**
Parent's subsidiaries			
KB Securities Co., Ltd.	Notional amount of Derivative financial instruments	651,372	393,515
KB Life Insurance Co., Ltd..	Notional amount of Derivative financial instruments	104,058	252,213
KB Kookmin Card Co., Ltd.	Notional amount of Derivative financial instruments	44,472	62,611
KB Insurance Co., Ltd.	Notional amount of Derivative financial instruments	799,567	1,127,722
KB NA Loan Specialty Private Real Estate Investment Trust 1	Notional amount of Derivative financial instruments	29,153	-
KB NA Loan Specialty Private Real Estate Investment Trust 3	Notional amount of Derivative financial instruments	95,519	-

In accordance with Korean IFRS 1024, the Group includes the Parent, the Parent's subsidiaries, associates, associates of the Parent's subsidiaries, key management (including family members), and post-employment benefit plans of the Group and entities regarded as its related parties in the scope of its related parties. Additionally, the Group discloses balances (receivables and payables) and other amounts arising from the related party transactions in the notes to the consolidated financial statements. Refer to Note 13 for details on investments in associates.

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

Significant loan transactions with related parties for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	2019[1]				
	Beginning	**Loans**	**Repayments**	**Others**	**Ending**
Parent's subsidiaries					
KB Securities Co., Ltd.	25,617	892,470	853,096	298	65,289
KB Kookmin Card Co., Ltd.	3,354	268,897	252,639	71	19,683
KB Capital Co., Ltd.	54,787	7,624	-	2,078	64,489
KB Star Office Private Real Estate Master Fund 3	24,000	-	24,000	-	-
KB Star Office Private Real Estate Master Fund 4	20,000	-	-	-	20,000
Associate					
Incheon Bridge Co., Ltd.	191,082	-	10,500	4,975	185,557
Associate of parent's subsidiaries					
SY Auto Capital Co., Ltd.	8,300	27,998	34,398	-	1,900
Food Factory Co., Ltd.	200	1,800	20	7	1,987
APRO CO.,LTD.	-	2,000	-	16	2,016
BNF Corporation Ltd.	-	-	-	1,400	1,400
Acts CO.,LTD	-	68	68	-	-
Key management[2]	2,218	638	555	1,122	3,423

(In millions of Korean won)	2018 [1]				
	Beginning	**Loans**	**Repayments**	**Others**	**Ending**
Parent's subsidiaries					
KB Securities Co., Ltd.	4,346	1,369,958	1,348,687	-	25,617
KB Kookmin Card Co., Ltd.	6,806	164,635	168,087	-	3,354
KB Capital Co., Ltd.	19,285	33,711	-	1,791	54,787
KB Star Office Private Real Estate Master Fund 3	-	24,000	-	-	24,000
KB Star Office Private Real Estate Master Fund 4	-	20,000	-	-	20,000
Associate					
Incheon Bridge Co., Ltd.	203,126	-	14,700	2,656	191,082
Dongjo Co., Ltd	116	-	116	-	-
Associate of parent's subsidiaries					
SY Auto Capital Co., Ltd.	-	50,053	41,753	-	8,300
Food Factory Co., Ltd.	200	-	-	-	200
Key management[2]	1,619	108	836	1,327	2,218

[1] Transactions between related parties, such as settlements arising from operating activities and daylight overdraft to be repaid on the day of handling, are excluded.

[2] Includes details of loan transactions that occurred before they became related parties.

Significant lending transactions with related parties for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019				
		Beginning	**Increase**	**Decrease**	**Others[1]**	**Ending**
Parent						
KB Financial Group Inc..	Deposits	69,621	310,000	370,000	8,916	18,537
Parent's subsidiaries						
KB Asset Management Co., Ltd.	Deposits	3,284	-	-	3,645	6,929
KB Real Estate Trust Co., Ltd.	Deposits	27,321	-	-	22,387	49,708
KB Investment Co., Ltd.	Deposits	20,784	410,000	365,000	(3,098)	62,686
KB Credit Information Co., Ltd.	Deposits	4,240	1,611	1,425	(379)	4,047
KB Data System Co., Ltd.	Deposits	18,059	18,500	13,500	(1,417)	21,642
KB Life Insurance Co.,	Deposits	1,576	-	-	(1,005)	571
Ltd.	Debts	25,000	-	-	-	25,000
KB Kookmin Card Co., Ltd.	Deposits	84,089	22,000	22,000	(9,289)	74,800
KB Capital Co., Ltd.	Deposits	64,283	-	-	62,595	126,878
KB Insurance Co., Ltd.	Deposits	5,188	-	2,441	2,738	5,485
	Debts	20,000	-	-	-	20,000
	Debenture	30,002	-	-	(11)	29,991
KB Securities Co., Ltd.	Deposits	334,470	96,445	75,000	67,138	423,053
KB Star Office Private Real Estate Investment Trust No.3	Deposits	5,361	2,003	-	-	7,364
KB Star Office Private Real Estate Investment Trust No.4	Deposits	1,629	354	-	-	1,983
Associates						
Korea Credit Bureau Co., Ltd.	Deposits	15,674	-	3,000	5,292	17,966
Incheon Bridge Co., Ltd.	Deposits	43,666	25,260	5,260	(18,219)	45,447
Doosung Metal Co., Ltd.	Deposits	3	-	-	(3)	-
Jungdo Co., Ltd.	Deposits	4	-	-	-	4
Dae-A Leisure Co., Ltd.	Deposits	1,229	-	-	(476)	753
Carlife Co., Ltd.	Deposits	2	-	-	(2)	-
Computerlife Co., Ltd.	Deposits	1	-	-	-	1
SKYDIGITAL INC	Deposits	16	-	-	9	25
Jo Yang Industrial Co., Ltd.	Deposits	-	-	-	2	2

KB12-1 Venture Investment Partnership	Deposits	245	-	-	195	440
KB High-tech Company Investment Fund	Deposits	275	5,500	5,500	11,480	11,755
Aju Good Technology Venture Fund	Deposits	6,439	-	-	(983)	5,456
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	7,088	15,000	10,000	(5,034)	7,054
KB Digital Innovation & Growth New Technology Business Investment Fund	Deposits	618	-	-	(606)	12
KB-Brain KOSDAQ Scale-up Fund	Deposits	18,813	-	-	(5,695)	13,118
KB Global Platform Fund	Deposits	-	-	-	17,928	17,928
Associate of parent						
KB Star Office Private Real Estate Investment Trust No.1	Deposits	7,946	5,018	5,072	401	8,293
Associates of parent's subsidiaries						
SY Auto Capital Co., Ltd.	Deposits	5	-	-	3	8
KB No.9 Special Purpose Acquisition Company[2]	Deposits	2,275	-	2,266	(9)	-
KB No.10 Special Purpose Acquisition Company[2]	Deposits	1,666	-	1,618	(48)	-
KB No.11 Special Purpose Acquisition Company[2]	Deposits	658	-	530	(128)	-
KB No.17 Special Purpose Acquisition Company	Deposits	-	1,500	-	242	1,742
KB No.18 Special Purpose Acquisition Company	Deposits	-	2,200	100	40	2,140
KB No.19 Special Purpose Acquisition Company	Deposits	-	1,000	-	93	1,093
KB No.20 Special Purpose Acquisition	Deposits	-	1,500	-	484	1,984

Company						
RAND Bio Science Co., Ltd.	Deposits	232	1,900	-	2,320	4,452
Wise Asset Management Co., Ltd.	Deposits	696	-	682	7	21
Built On Co., Ltd. [2]	Deposits	7	-	-	(7)	-
Food Factory Co., Ltd.	Deposits	68	-	-	1,005	1,073
Acts Co., Ltd.	Deposits	29	-	-	(28)	1
Paycoms Co., Ltd.	Deposits	1	-	-	-	1
Big Dipper Co., Ltd.	Deposits	182	-	-	(176)	6
Apro Co., Ltd.	Deposits	2,201	-	-	1,000	3,201
Rainist Co., Ltd.		1	-	-	(1)	-
Spark Biopharma Inc.[2]	Deposits	2,630	17,000	9,000	(10,630)	-
Stratio, Inc	Deposits	516	-	-	210	726
Nexelon Co.,Ltd.[2]	Deposits	-	-	200	200	-
CellinCells Co., Ltd	Deposits	-	-	-	1,545	1,545
KB IGen Private Equity Fund No.1	Deposits	148	-	-	(1)	147
KB Pre IPO Secondary Venture Fund 1st	Deposits	1,115	-	-	1,840	2,955
Fabric Types CO.,LTD.	Deposits	-	-	-	395	395
BNF Corporation Ltd.	Deposits	-	-	-	947	947
Key management[3]	Deposits	9,771	8,724	8,232	(159)	10,104

(In millions of Korean won)

		2018				
		Beginning	**Increase**	**Decrease**	**Others[1]**	**Ending**
Parent						
KB Financial Group Inc..	Deposits	46,062	1,555,000	1,495,000	(36,441)	69,621
Parent's subsidiaries						
KB Asset Management Co., Ltd.	Deposits	8,958	-	-	(5,674)	3,284
KB Real Estate Trust Co., Ltd.	Deposits	16,187	-	-	11,134	27,321
KB Investment Co., Ltd.	Deposits	19,816	56,200	68,200	12,968	20,784
KB Credit Information Co., Ltd.	Deposits	4,444	1,569	1,409	(364)	4,240
KB Data System Co., Ltd.	Deposits	15,036	11,500	10,700	2,223	18,059
KB Life Insurance Co.,	Deposits	372	-	-	1,204	1,576
Ltd.	Debts	25,000	-	-	-	25,000
KB Kookmin Card Co., Ltd.	Deposits	85,091	22,000	22,000	(1,002)	84,089
KB Capital Co., Ltd.	Deposits	73,906	-	-	(9,623)	64,283
KB Insurance Co., Ltd.	Deposits	7,034	-	1,650	(196)	5,188
	Debts	20,000	-	-	-	20,000

	Debenture	49,981	-	-	(19,979)	30,002
KB Securities Co., Ltd.	Deposits	436,508	111,996	82,512	(131,522)	334,470
KB Star Office Private Real Estate Investment Trust No.3	Deposits	-	5,361	-	-	5,361
KB Star Office Private Real Estate Investment Trust No.4	Deposits	-	1,629	-	-	1,629
Associates						
Korea Credit Bureau Co., Ltd.	Deposits	25,513	8,000	16,000	(1,839)	15,674
Incheon Bridge Co., Ltd.	Deposits	48,795	1,260	1,270	(5,119)	43,666
Terra Co., Ltd.	Deposits	10	-	-	(10)	-
Jungdong Steel Co., Ltd.	Deposits	3	-	-	(3)	-
Doosung Metal Co., Ltd.	Deposits	-	-	-	3	3
Jungdo Co., Ltd.	Deposits	4	-	-	-	4
Dae-A Leisure Co., Ltd.	Deposits	466	479	466	750	1,229
Daesang Techlon Co., Ltd.[2]	Deposits	2	-	-	(2)	-
Carlife Co., Ltd.	Deposits	-	-	-	2	2
Computerlife Co., Ltd.	Deposits	-	-	-	1	1
SKYDIGITAL INC	Deposits	-	-	-	16	16
KB12-1 Venture Investment Partnership	Deposits	4,963	-	-	(4,718)	245
Future Planning KB Start-up Creation Fund	Deposits	-	9,000	9,000	-	-
KB High-tech Company Investment Fund	Deposits	7,212	-	-	(6,937)	275
Aju Good Technology Venture Fund	Deposits	2,771	-	-	3,668	6,439
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	7,500	-	-	(412)	7,088
KB Digital Innovation & Growth New Technology Business Investment Fund	Deposits	-	-	-	618	618
KB-Brain KOSDAQ Scale-up Fund	Deposits	-	-	-	18,813	18,813

Associate of parent						
KB Star Office Private Real Estate Investment Trust No.1	Deposits	6,962	351	-	633	7,946
Associates of parent's subsidiaries						
SY Auto Capital Co., Ltd.	Deposits	6	-	-	(1)	5
KB No.8 Special Purpose Acquisition Company[2]	Deposits	2,339	-	2,300	(39)	-
KB No.9 Special Purpose Acquisition Company[2]	Deposits	2,309	2,266	2,234	(66)	2,275
KB No.10 Special Purpose Acquisition Company[2]	Deposits	1,698	1,618	1,618	(32)	1,666
KB No.11 Special Purpose Acquisition Company[2]	Deposits	530	530	530	128	658
RAND Bio Science Co., Ltd.	Deposits	1,032	-	500	(300)	232
Wise Asset Management Co., Ltd.	Deposits	340	2,366	2,008	(2)	696
Built On Co., Ltd. [2]	Deposits	26	-	-	(19)	7
Food Factory Co., Ltd.	Deposits	1	-	-	67	68
Acts Co., Ltd.	Deposits	4	-	-	25	29
Paycoms Co., Ltd.	Deposits	-	-	-	1	1
Big Dipper Co., Ltd.	Deposits	473	-	-	(291)	182
Apro Co., Ltd.	Deposits	-	-	-	2,201	2,201
Rainist Co., Ltd.	Deposits	-	-	-	1	1
Spark Biopharma Inc.[2]	Deposits	-	4,300	3,300	1,630	2,630
Stratio, Inc	Deposits	-	-	-	516	516
KB IGen Private Equity Fund No.1	Deposits	-	-	-	148	148
KB Pre IPO Secondary Venture Fund 1st	Deposits	2,690	2,000	4,000	425	1,115
POSCO-KB Shipbuilding Fund	Deposits	-	32,800	32,800	-	-
Inno Lending Lab Co., Ltd.[2]	Deposits	41	-	-	(41)	-
Key management[3]	Deposits	8,042	6,605	5,140	264	9,771

[1] Transactions between related parties, such as settlements arising from operating activities and deposits, are excluded.
[2] Not considered to be the Bank's related party as at December 31, 2019.
[3] Includes details of lending transactions that occurred before they became related parties.

Significant contribution and collection arising from transactions with related parties for the year ended December 31, 2019, are as follows:

(In millions of Korean won)	2019	
	Contribution	Collection and others
Parent's subsidiaries		
Hanbando BTL Private Special Asset Fund	-	21,563
Hope Sharing BTL Private Special Asset Fund	-	1,653
KB Intellectual Property Investment Association	-	182
KB Senior Loan Private Fund No.1	-	13,458
KB Evergreen Private Securities Fund 98(Bond) [1]	-	52,302
KB KBSTAR Mid-Long Term KTB Active ETF(Bond)	-	500
KB Onkookmin 2025 TDF Fund (FoFs) [1]	5,500	-
KB Onkookmin 2030 TDF Fund (FoFs)	5,500	-
KB Onkookmin 2035 TDF Fund (FoFs) [1]	-	2,289
KB Onkookmin 2045 TDF Fund (FoFs)	-	2,184
KB Star Office Private Real Estate Master Fund 3	-	2,313
KB Star Office Private Real Estate Master Fund 4	-	1,713
KB Korea Short Term Premium Private Securities 4(USD)(Bond) [1]	-	48,050
KB Korea Short Term Premium Private Securities 5(USD)(Bond) [1]	92,776	211,053
KB Korea Short Term Premium Private Securities 10(USD)(Bond)	70,176	-
KB Global Core Bond Securities Master Fund(Bond)	30,000	22,220
KB Haeoreum private securities investment trust 96(Bond) [1]	-	50,656
KB New Renewable Energy Private Special Asset Fund 1	858	4
KB Mezzanine Private Securities Fund 3rd	22,000	-
KB Wise Star Jongno Tower Real Estate Master Fund	65,000	1,836
Koratevien Specialist Private Equity Fund 1	35,000	-
KB Europe Renewable Specialized Private Equity Private Asset Investment Trust No. 2	3,767	-
KB Global Infra Specialized Private Equity Private Asset Investment Trust No. 5	1	-
KB Global Infra Specialized Private Equity Private Asset Investment Trust No. 6	1	-
Associates		
Korea Credit Bureau Co., Ltd.	-	135
Balhae Infrastructure Fund	592	6,855
KoFC KBIC Frontier Champ 2010-5 (PEF) [1]	-	138
KB GwS Private Securities Investment Trust	-	7,276
KB12-1 Venture Investment Partnership	-	3,400
Future Planning KB Start-up Creation Fund	-	4,400
KB High-tech Company Investment Fund	-	6,950
Aju Good Technology Venture Fund	1,960	-
KB-KDBC New Technology Business Investment Fund	2,500	-
KB-TS Technology Venture Private Equity Fund	4,200	1,200
KB Digital Innovation & Growth New Technology Business Investment Fund	1,125	-
KB Intellectual Property Fund 2	6,000	-
KB Digital Innovation Investment Fund Limited partnership	24,500	-
KB-Brain KOSDAQ Scale-up Fund	7,000	-
KB Sprott Renewables No.1. Private Equity Fund	1,327	-
KB Global Platform Fund	19,500	-
KB-UTC Inno-Tech Venture Fund	300	-
Associate of parent		

KB Star Office Private Real Estate Investment Trust No.1	-	1,275
Associates of parent's subsidiaries		
KB Stone Bridge Secondary Private Equity Investment	4,040	1,060

[1] Not considered to be the Group's related party as at December 31, 2019.

Acceptances and guarantees and unused commitments provided to related parties as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)		**2019**	**2018**
Parent's subsidiaries			
KB Securities Co., Ltd	Loan commitment in Korean won	140,000	137,509
KB Investment Co., Ltd.	Loss sharing agreements	1,000	1,000
KB Kookmin Card Co., Ltd.	Loan commitment in Korean won	820,000	820,000
	Loan commitment in foreign currency	3,473	5,591
	Other commitments in Korean won	1,300,000	1,300,000
KB Insurance Co., Ltd.	Loan commitment in Korean won	20,000	-
KB Mezzanine Private Security Investment Trust No.2	Purchase of securities	11,141	11,141
KB Mezzanine Private Securities Fund 3rd	Purchase of securities	48,260	-
KB Senior Loan Private Fund No.1	Purchase of securities	3,770	3,770
KB New Renewable Energy Private Special Asset Fund 1	Purchase of securities	39,142	-
KB Europe Renewable Specialized Private Equity Private Asset Investment Trust No. 2	Purchase of securities	14,454	-
KB Global Infra Specialized Private Equity Private Asset Investment Trust No. 5	Purchase of securities	24,999	-
KB Global Infra Specialized Private Equity Private Asset Investment Trust No. 6	Purchase of securities	24,999	-
Associates			
Balhae Infrastructure Fund	Purchase of securities	7,327	10,453
Incheon Bridge Co., Ltd.	Loan commitment in Korean won	20,000	20,000
KoFC KBIC Frontier Champ 2010-5 (PEF) [1]	Purchase of securities	-	1,290
KB GwS Private Securities Investment Trust	Purchase of securities	876	876
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	Purchase of securities	10,040	10,040
Aju Good Technology Venture Fund	Purchase of securities	1,154	1,960

KB-KDBC New Technology Business Investment Fund	Purchase of securities	-	2,500
KB-TS Technology Venture Private Equity Fund	Purchase of securities	3,180	7,380
KB Digital Innovation & Growth New Technology Business Investment Fund	Purchase of securities	2,250	3,375
KB Intellectual Property Fund 2	Purchase of securities	6,000	12,000
KB Digital Innovation Investment Fund Limited partnership	Purchase of securities	2,800	27,300
KB-Brain KOSDAQ Scale-up Fund	Purchase of securities	9,000	16,000
KB Sprott Renewables No.1. Private Equity Fund	Purchase of securities	18,173	-
KB Global Platform Fund	Purchase of securities	30,500	-
KB-UTC Inno-Tech Venture Fund	Purchase of securities	14,700	-
Associates of parent's subsidiaries			
SY Auto Capital Co., Ltd.	Loan commitment in Korean won	8,100	6,700
BNF Corporation Ltd.	Loan commitment in Korean won	360	-
KB Stone Bridge Secondary Private Equity Investment	Purchase of securities	15,960	-
Key management	Loan commitment in Korean won	564	894

[1] Not considered to be the Group's related party as at December 31, 2019.

Acceptances and guarantees and unused commitments received from related parties as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)		**2019**	**2018**
Parent's subsidiaries			
KB Investment Co., Ltd.	Loss sharing agreements	12,209	14,474
KB Real Estate Trust Co., Ltd.	Purchase of securities	19	1,319
KB Securities Co., Ltd.	Purchase of securities	19	1,319
KB Life Insurance Co., Ltd.	Purchase of securities	3,438	6,595
KB Insurance Co., Ltd.	Purchase of securities	3,343	-
KB Asset Management Co., Ltd.	Purchase of securities	666	-
KB Kookmin Card Co., Ltd.	Loan commitment in Korean won	86,400	87,922

Compensation to key management for the years ended December 31, 2019 and 2018, consists of:

(In millions of Korean won)	2019			
	Short-term employee benefits	**Post-employment benefits**	**Share-based payments**	**Total**
Registered directors (executive)	1,833	49	1,594	3,476
Registered directors (non-executive)	402	-	-	402
Non-registered directors	5,767	213	4,235	10,215
	8,002	262	5,829	14,093

(In millions of Korean won)	2018			
	Short-term employee benefits	**Post-employment benefits**	**Share-based payments**	**Total**
Registered directors (executive)	1,278	51	1,022	2,351
Registered directors (non-executive)	337	-	-	337
Non-registered directors	4,807	183	3,217	8,207
	6,422	234	4,239	10,895

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

Collateral offered to related parties as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)		2019		2018	
	Assets pledged as collateral [1]	**Carrying amount**	**Collateralized amount**	**Carrying amount**	**Collateralized amount**
Parent's subsidiaries					
KB Securities Co., Ltd.	Securities	50,471	50,000	62,006	62,000
KB Life Insurance Co., Ltd.	Securities	25,977	25,000	26,055	25,000
	Building/ Land	207,333	32,500	209,459	32,500
KB Insurance Co., Ltd.	Securities	49,990	50,000	50,000	50,000
	Building/ Land	207,333	26,000	209,459	26,000

[1] Collaterals related to lease contracts arising from operating activities between related parties are excluded.

Collateral received from related parties as at December 31, 2019 and 2018, are as follows:

(In millions of Korean won)	Assets pledged as collateral [1]	2019	2018
Parent's subsidiaries			
KB Securities Co., Ltd.	Time deposits/ Beneficiary right certificate	167,000	178,178
	Securities	27,948	20,000
	Real estate [2]	12,000	-
KB Life Insurance Co., Ltd.	Securities	10,000	10,000
KB Kookmin Card Co., Ltd.	Time deposits	22,000	22,000
KB Insurance Co., Ltd.	Securities	135,500	66,500
KB Credit Information Co., Ltd.	Time deposits and others	1,611	1,425
KB Star Office Private Real Estate Master Fund 3	Real estate	-	28,800
KB Star Office Private Real Estate Master Fund 4	Real estate	24,000	24,000
Key management	Time deposits and others	192	401
	Real estate	2,922	3,182

[1] Collaterals related to lease contracts arising from operating activities between related parties are excluded.
[2] Related to KB Wise Star Jongno Tower Real Estate Master Fund, a subsidiary of KB Securities Co., Ltd.

As at December 31, 2019, Incheon Bridge Co., Ltd., a related party, provides fund management account, civil engineering completed risk insurance, and management rights as senior collateral amounting to ₩ 611,000 million to a financial syndicate that consists of the Group and five other institutions, and as subordinated collateral amounting to ₩384,800 million to subordinated debt holders that consist of the Group and two other institutions. Also, it provides certificate of credit guarantee amounting to ₩400,000 million as collateral to a financial syndicate consisting of the Group and five other institutions.

The amounts of debt securities purchased through KB securities Co., Ltd. are ₩12,778,602 million and ₩ 7,920,050 million for the years ended December 31, 2019 and 2018, respectively, and the amounts of debts securities sold through KB securities Co., Ltd. are ₩7,799,397 million and ₩ 3,835,245 million for the years ended December 31, 2019 and 2018, respectively. In addition, KB securities Co., Ltd. acquired ₩ 2,120,000 million and ₩ 160,000 million of bonds issued by the Bank for the years ended December 31, 2019 and 2018, respectively.

The amounts of intangible assets purchased through KB Data System Co., Ltd. are ₩ 37,004 million and ₩ 17,831 million for the years ended December 31, 2019 and 2018, respectively.

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

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

42. Changes in accounting policies-adoption of Korean IFRS 1116 *Leases*

The Group applied Korean IFRS 1116 retrospectively with recognizing the cumulative effect of initial adoption of the standard as at January 1, 2019. The Group did not restate any comparative prior financial statements under the transitional provisions of Korean IFRS 1116.
Therefore reclassification and adjustments under the new IFRS were recognized in the financial statements beginning on January 1, 2019.

A lessee shall apply this standard to its leases either:

- retrospectively to each prior reporting period presented applying Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* (Full retrospective application); or
- retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

For leases previously classified as 'finance leases', the Group recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of Korean IFRS 1116 are only applied after that date. The remeasurements to the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application.

(In millions of Korean won)	**January 1, 2019**
Right-of-use asset	
Operating lease commitments as at December 31, 2018[1]	365,685
Add : Finance lease asset recognized at December 31, 2018	26,083
Right-of use asset recognized as of the date of initial application	391,768
Lease liability	
Operating lease commitments as at December 31, 2018	346,348
Discounted amount using the lessee's incremental borrowing rate[2] at the date of initial application	332,457
Add : Finance lease liability recognized at December 31, 2018	8,065
Lease liabilities recognized as of the date of initial application	340,522

[1]The amount included lease contract related provisions for asset retirement obligation and other assets/liabilities according to the adoption of Korean IFRS.
[2] The weighted average incremental borrowing rate of interest is 2.19%.

The difference between the amount of the right-of-use asset and the lease liabilities is adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of the adoption of Korean IFRS 1116.

43. Approval of Issuance of the Financial Statements

The issuance of the Group's consolidated financial statements as at and for the year ended December 31, 2019, was approved by the Board of Directors on February 5, 2020.

REGISTERED AND HEAD OFFICE OF THE ISSUER

Kookmin Bank
26, Gukjegeumyung-ro 8-gil
Yeongdeungpo-gu
Seoul 07331
Korea

PRINCIPAL PAYING AGENT AND CALCULATION AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon
240 Greenwich St.
New York
NY 10286, USA

PAYING AGENT, REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building-Polaris
2-4 rue Eugene Ruppert
L-2453 Luxembourg

CMU LODGING AND PAYING AGENT

The Bank of New York Mellon, Hong Kong Branch
Three Pacific Place Floor 24
1 Queen's Road East
Hong Kong

LEGAL ADVISERS

To the Issuer as to Korean law

Shin & Kim LLC
23F, D-Tower (D2)
17 Jongno 3-gil, Jongno-gu
Seoul 03155
Korea

To the Arranger and Dealers as to U.S. law

Cleary Gottlieb Steen & Hamilton LLP
Foreign Legal Consultant Office
19F Ferrum Tower
19, Eulji-ro 5-gil, Jung-gu
Seoul 04539
Korea

To the Arranger and Dealers as to English law

Linklaters LLP
Foreign Legal Consultant Office
22F East Tower
Mirae Asset Center 1
26, Eulji-ro 5-gil, Jung-gu
Seoul 04539
Korea

ARRANGER

The Hongkong and Shanghai Banking Corporation Limited
Level 17, HSBC Main Building
1 Queen's Road Central
Hong Kong

DEALERS

BNP Paribas
16, Boulevard des Italiens
75009 Paris
France

Citigroup Global Markets Inc.
388 Greenwich Street
New York, NY 10013
United States of America

Crédit Agricole Corporate and Investment Bank
27th Floor, Two Pacific Place
88 Queensway
Hong Kong

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

The Hongkong and Shanghai Banking Corporation Limited
Level 17, HSBC Main Building
1 Queen's Road Central
Hong Kong

J.P. Morgan Securities plc
Bank Street
Canary Wharf
London EC14 5JP
United Kingdom

Merrill Lynch International
King Edward Street
London EC1A 1HQ
United Kingdom

MUFG Securities EMEA plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

Mizuho Securities USA LLC
1271 Avenue of the Americas
New York, NY 10020
United States of America

Société' Générale
29 boulevard Haussmann
75009 Paris
France

Standard Chartered Bank
One Basinghall Avenue
London EC2V 5DD
United Kingdom

UBS AG Hong Kong Branch
52th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

INDEPENDENT AUDITORS

KPMG Samjong Accounting Corp.
Gangnam Finance Center, 27F
152, Teheran-ro
Gangnam-gu
Seoul 06236
Korea

Samil PricewaterhouseCoopers
100, Hangang-daero
Yongsan-gu Seoul 04386
Korea

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542