IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (I) QIBS (AS DEFINED BELOW) OR (II) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S (AS DEFINED BELOW).

You must read the following disclaimer before continuing: The following disclaimer applies to the attached offering circular. You are therefore advised to read this disclaimer carefully and in full before reading, accessing or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of your representation: You have accessed the attached document on the basis that you have confirmed your representation to J.P. Morgan Securities plc, Citigroup Global Markets Inc., Merrill Lynch International, LLC Seoul Branch, Standard Chartered Bank and Hanwha Investment & Securities Co., Ltd. (each an "**Initial Purchaser**") that (i) either (a) you are outside the United States and, to the extent you purchase the Securities, as defined and described in the attached offering circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or (b) you are acting on behalf of, or you are, a qualified institutional buyer ("**QIB**"), as defined in Rule 144A under the Securities Act, and (ii) you consent to delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

The attached offering circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Initial Purchasers or any of its respective directors, officers, employees, representatives, agents or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Prospective purchasers that are QIBs are hereby notified that the seller of the Securities described in the offering circular will be relying on the exemption from the provisions of Section 5 of the Securities Act pursuant to Rule 144A.

Restrictions: The attached offering circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Securities described in the offering circular. You are reminded that the information in the attached offering circular is not complete and may be changed.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF THE SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTIONS AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, 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.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of Hanwha Life Insurance Co., Ltd. or the Initial Purchasers to subscribe for or purchase any of the Securities described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere.

The attached offering circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering of the Securities be made by a licensed broker or dealer and any Initial Purchaser or any affiliate of an Initial Purchaser, licensed brokers or dealers in that jurisdiction, the offering of any of the Securities shall be deemed to be made by such Initial Purchaser or such affiliate on behalf of Hanwha Life Insurance Co., Ltd. in such jurisdiction.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this 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 authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Securities described therein.

Actions that you may not take: You should not reply by e-mail to this announcement, and you may not purchase any Securities by doing so. Any reply e-mail communication, including those you generate by using the "**Reply**" function on your e-mail software, will be ignored and/or rejected.

THE ATTACHED 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 THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR.

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.

OFFERING CIRCULAR **CONFIDENTIAL**

HANWHA LIFE INSURANCE CO., LTD.

(Incorporated with limited liability under the laws of the Republic of Korea.)

US$750,000,000 3.379% Tier II Subordinated Sustainability Securities due 2032

The US$750,000,000 3.379% Tier II Subordinated Sustainability Securities due 2032 (the "**Securities**") are issued by Hanwha Life Insurance Co., Ltd. (the "**Issuer**"). The Securities confer a right to receive interest on the principal amount at the following rates (the "**Interest Rate**"): (i) in respect of the period from, and including, 4 February 2022 (the "**Issue Date**") to, but excluding, 4 February 2027 (the "**Interest Reset Date**"), 3.379% per annum and (ii) in respect of the period from, and including, the Interest Reset Date to, but excluding, 4 February 2032 (the "**Maturity Date**"), a rate per annum equal to the sum of the Treasury Rate with respect to such period plus the Initial Spread (the "**Reset Interest Rate**"). Terms relating to the Securities not otherwise defined have the meanings given to them in "*Terms and Conditions*." Interest shall be payable on the Securities semi-annually in arrear on 4 February and 4 August in each year (each an "**Interest Payment Date**") with the first Interest Payment Date falling on 4 August 2022.

Unless previously redeemed or purchased and cancelled as described below, the Issuer will redeem the Securities on the Maturity Date at their outstanding principal amount, together with any interest accrued to (but excluding) the Maturity Date. The Issuer may, on the Interest Reset Date and on each Interest Payment Date thereafter, upon giving a notice of redemption, redeem the Securities, in whole but not in part, at a redemption price equal to the principal amount of the Securities plus any accrued but unpaid interest to (but excluding) the date of redemption (the "**Optional Redemption Price**"); *provided that* such redemption will be subject to (i) the prior approval of the Financial Supervisory Service (the "**FSS**") or other relevant regulatory authorities of Korea (if then required) and (ii) satisfaction of any other conditions as required under the Regulation on Supervision of Insurance Business (as amended or modified from time to time), the Detailed Enforcement Regulations on Insurance Business Supervision (as amended or modified from time to time) or other successive regulations in effect at the time of such redemption ((i) and (ii) collectively, the "**Optional Redemption and Purchase Conditions**"). The Optional Redemption and Purchase Conditions applicable as of the Issue Date are as follows: either (i) immediately after such redemption (which shall have been decided by the Issuer at its sole discretion and approved by the FSS), the Issuer's Solvency Margin Ratio shall be equal to or greater than 150%; or (ii)(A) the Issuer's Solvency Margin Ratio shall be equal to or greater than 100%; (B) prior to such redemption, the Issuer issues or incurs qualifying financing via instruments with stronger capital characteristics (such as shares or instruments with a maturity longer than the remaining maturity of the Securities and with more favourable financing terms, including but not limited to a lower interest rate) in an amount not less than the aggregate principal amount of the Securities to be redeemed; (C) the Interest Rate of the Securities shall have been recognized by the FSS as significantly unfavourable to the Issuer due to changes in market conditions since the Issue Date; and (D) the Issuer shall have obtained prior approval from the FSS for such redemption. In addition, subject to the satisfaction of the Optional Redemption and Purchase Conditions, the Securities may be redeemed (in whole but not in part) at the option of the Issuer upon the occurrence of a Gross-Up Event or Tax Deductibility Event or Regulatory Event at the Optional Redemption Price. No notice of redemption with respect to a Gross-Up Event, Regulatory Event or a Tax Deductibility Event shall be given earlier than 90 days prior to the earliest date on which, in the case of a Gross-Up Event, the Issuer would be obliged to pay an Additional Amount if a payment in respect of the Securities were then payable, and in the case of a Regulatory Event or Tax Deductibility Event, the event is due to take effect. See "*Terms and Conditions — Redemption and Purchase*."

Upon the occurrence and during the continuation of a Bankruptcy Event, Rehabilitation Event, Liquidation Event or Foreign Event (collectively, "**Subordination Events**") of the Issuer, the rights and claims of Securityholders will be subordinated to any and all Senior Obligations of the Issuer. See "*Terms and Conditions — Status*."

The Securities are expected to be rated "Baa1" by Moody's Investor Service, Inc. ("**Moody's**") and "A-" by Standard & Poor's Rating Services ("**S&P**"), a division of The McGraw-Hill Companies, Inc. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Securities on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Securities on, the SGX-ST are not to be taken as an indication of the merits of the Securities or the Issuer. There is currently no public market for the Securities. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

The Securities will be issued in registered form in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. The Securities will be represented on issuance by two or more Global Securities (as defined herein) and it is expected that delivery of the Securities will be made on or about 4 February 2022, in New York, New York through the facilities of The Depository Trust Company ("**DTC**") against payment therefor in immediately available funds.

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Securities are being offered and sold only (i) to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A thereunder ("Rule 144A") and (ii) outside the United States in compliance with Regulation S under the Securities Act ("Regulation S"). Prospective purchasers are hereby notified that the seller of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on resale or transfer, see "*Transfer Restrictions*."

See "*Risk Factors*" beginning on page 20 to read about certain risk factors you should consider before investing in the Securities.

Issue Price: 100.00%

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

J.P. Morgan

Joint Bookrunners and Joint Lead Managers

BofA Securities **Citigroup** **Standard Chartered Bank**

Joint Lead Manager

Hanwha Investment & Securities

The date of this Offering Circular is 24 January 2022.

You should rely only on the information contained in this offering circular. Neither we nor any of the Initial Purchasers (as defined in "Plan of Distribution") has authorized anyone to provide you with information that is different and not contained in this offering circular. This document may only be used where it is legal to offer and sell these Securities. The information in this document may only be accurate as of the date of this offering circular.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Initial Purchasers as to the accuracy or completeness of the information contained in this offering circular or any other information provided by us in connection with the offering of the Securities (the "**Offering**") or the Securities or their distribution or for any other statement made or purported to be made by any Initial Purchaser or any Agent or on its behalf in connection with us or the Offering. Each Initial Purchaser and each Agent accordingly disclaims any and all responsibility or liability whether arising in tort or contract or otherwise which it might otherwise have in respect of the information contained in this offering circular, any other information provided by us in connection with the Offering or any other such statement.

No person is or has been authorized by us to give any information or to make any representation not contained in or not consistent with this offering circular and, if given or made, such information or representation must not be relied upon as having been authorized by us or any of the Initial Purchasers.

This offering circular has been confidentially submitted to a limited number of investors for them to consider an investment in the Securities. See "*Transfer Restrictions*." We have not authorized its use for any other purpose. This offering circular may not be copied or reproduced in whole or in part. This offering circular may not be distributed, nor may its contents be disclosed, except to the prospective investors to whom it is provided. By accepting delivery of this offering circular, each investor agrees to all of these restrictions. Notwithstanding anything to the contrary contained in this offering circular, we, the Initial Purchasers and each investor (and each of their respective employees, representatives, or other agents, as applicable) may disclose to any and all persons, without limitations of any kind, the tax treatment and tax structure of the transaction (including any materials, opinions or analyses relating to such tax treatment or tax structure), **provided**, **however**, **that** we, the Initial Purchasers and each investor (and each of their respective employees, representatives, or other agents, as applicable) shall not disclose any information that is not necessary to understand the tax treatment and tax structure of the transaction (including the identity of our company, the Initial Purchasers or any investor and any information that could lead another to determine the identity of our company, the Initial Purchasers or any investor), or any other information to the extent that such disclosure could result in a violation of any U.S. federal or state securities law.

Neither this offering circular nor any other information supplied in connection with the Offering or any Securities (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by us or any of the Initial Purchasers that any recipient of this offering circular or any other information supplied in connection with the Offering or any Securities should purchase any Securities. Each investor contemplating purchasing any Securities should make its own independent investigation of our financial condition and affairs and its own appraisal of our creditworthiness and the terms of the Securities, including the merits and risks involved.

Neither the delivery of this offering circular nor the offering, sale or delivery of any Securities shall in any circumstances imply that the information contained herein concerning us is correct at any time subsequent to the date hereof. The Initial Purchasers assume no responsibility for the accuracy or completeness of any of the information contained in this offering circular or any other information (financial, legal or otherwise) provided by us in connection with the issue of the Securities or their distribution.

This offering circular does not constitute an offer to sell or the solicitation of an offer to buy any Securities 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 the Securities may be restricted by law in certain jurisdictions. We and the Initial Purchasers do not represent that this offering circular may be lawfully distributed, or that any Securities 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 us or the Initial Purchasers that would permit a public offering of any Securities or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Securities 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 Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this offering circular and the offering and sale of the Securities. In particular, there are restrictions on the distribution of this offering circular and the offer or sale of Securities in the United States of America, the European Economic Area, the United Kingdom, Hong Kong, Singapore and Korea. See "*Plan of Distribution*" and "*Transfer Restrictions*."

The Securities have not been approved or disapproved by the U.S. 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.

This offering circular 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, as amended (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 (all such persons referenced in (i), (ii) and (iii) above together being referred to as "**relevant persons**"). The Securities will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this offering circular or any of its contents.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Initial Purchaser or its affiliate on our behalf in such jurisdiction.

Neither we nor any of the Initial Purchasers is making any representation to any purchaser of the Securities regarding the legality of an investment in the Securities by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering circular to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Securities.

We reserve the right to withdraw this offering of the Securities at any time. We and the Initial Purchasers also reserve the right to reject any offer to purchase the Securities in whole or in part for any reason and to allocate to any prospective investor less than the full amount of Securities sought by such investor.

In connection with the Offering, any Initial Purchaser (or person(s) on acting on its behalf) may, individually or collectively, subject to all applicable laws, rules and regulations, over-allot Securities or effect transactions that stabilize or maintain the market price of the Securities at a higher level than the Securities might otherwise achieve in the open market for a limited period of time after the issue date. However, stabilization may not necessarily occur. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period. For a description of these activities, see "*Plan of Distribution*."

PRIIPS REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS — THE SECURITIES 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 MIFID II; OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC (AS AMENDED, THE "**INSURANCE MEDIATION DIRECTIVE**"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE "**PRIIPS REGULATION**") FOR OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

Notification under Section 309B(1)(c) of the SFA — the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are 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).

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. THE SECURITIES HAVE NOT BEEN OFFERED, SOLD OR DELIVERED AND WILL 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 IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF KOREA AND THE REGULATIONS THEREUNDER), OR TO ANY OTHER PERSON FOR REOFFERING, RESALE OR RE-DELIVERY, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA, EXCEPT AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAWS AND REGULATIONS.

IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE SECURITIES, THE SECURITIES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL BUYER (OR A "QIB", AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A QIB, PROVIDED THAT (A) THE SECURITIES ARE DENOMINATED, AND THE PRINCIPAL AND INTEREST PAYMENTS THEREUNDER ARE MADE, IN A CURRENCY OTHER THAN KOREAN WON, (B) THE AMOUNT OF THE SECURITIES ACQUIRED BY SUCH QIBS IN THE PRIMARY MARKET IS LIMITED TO LESS THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE SECURITIES, (C) THE SECURITIES ARE LISTED ON ONE OF THE MAJOR OVERSEAS SECURITIES MARKETS DESIGNATED BY THE FSS, OR CERTAIN PROCEDURES, SUCH AS REGISTRATION OR

REPORT WITH A FOREIGN FINANCIAL INVESTMENT REGULATOR, HAVE BEEN COMPLETED FOR OFFERING OF THE SECURITIES IN A MAJOR OVERSEAS SECURITIES MARKET, (D) THE ONE-YEAR RESTRICTION ON OFFERING, DELIVERING OR SELLING OF SECURITIES TO A KOREAN RESIDENT OTHER THAN A QIB IS EXPRESSLY STATED IN THE SECURITIES, THE RELEVANT UNDERWRITING AGREEMENT, SUBSCRIPTION AGREEMENT, AND THE OFFERING CIRCULAR AND (E) THE ISSUER AND THE INITIAL PURCHASERS SHALL INDIVIDUALLY OR COLLECTIVELY KEEP THE EVIDENCE OF FULFILMENT OF CONDITIONS (A) THROUGH (D) ABOVE AFTER HAVING TAKEN NECESSARY ACTIONS THEREFOR.

CERTAIN DEFINED TERMS AND CONVENTIONS

Market and statistical data and certain industry forecasts used throughout this offering circular were obtained from internal surveys, market research, publicly available information and industry publications published by various sources, including the Korea Life Insurance Association (the "**KLIA**"), the General Insurance Association of Korea (the "**GIAK**"), the Korean Statistical Information Service, Swiss Re Sigma, the Organization for Economic Cooperation and Development (the "**OECD**") and other third party sources, that we believe are reliable. Such information has been accurately reproduced herein and, as far as we are aware and are able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed.

Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither we nor any of the Initial Purchasers makes any representation as to the accuracy or completeness of this information. You should not unduly rely on such market and statistical data and industry forecasts.

In this offering circular, unless otherwise specified or the context otherwise requires:

- "**we**," "**us**," "**our**," "**ourselves**," or "**our company**" refers to Hanwha Life Insurance Co., Ltd. and its consolidated subsidiaries;
- "**HLI**" or the "**Issuer**" refers to Hanwha Life Insurance Co., Ltd., on a separate basis;
- "**HGI**" or "**Hanwha General Insurance**" refers to Hanwha General Insurance Co., Ltd., our consolidated subsidiary, on a consolidated basis, unless otherwise noted;
- "**CGI**" refers to Carrot General Insurance Co., Ltd., our consolidated subsidiary;
- "**HLFS**" refers to Hanwha Life Financial Service Co., Ltd., our wholly-owned consolidated subsidiary, on a consolidated basis, unless otherwise noted;
- "**Hanwha Asset Management**" refers to Hanwha Asset Management Co., Ltd., our wholly-owned consolidated subsidiary, on a consolidated basis, unless otherwise noted;
- "**Hanwha I&S**" refers to Hanwha Investment & Securities Co., Ltd., our consolidated subsidiary;
- "**APE**" refers to annualized premiums for regular payment premium products sold during the applicable period, plus 10% of our premiums for single payment premium products sold during such period, in each case, excluding insurance products that have a coverage period of one year or less and retirement pension products;

- "**Corporate Governance Act**" refers to the Act on Corporate Governance of Financial Companies;
- "**FSC**" refers to the Financial Services Commission of Korea;
- "**FSCMA**" refers to the Financial Investment Services and Capital Markets Act of Korea;
- "**FSS**" refers to the Financial Supervisory Service of Korea;
- "**first year premiums**" refers to the amount of premiums received during the first year of a policy, which amount is recognized in a specified year or period in respect of policies sold during such year or period;
- "**first year regular payment premiums**" refers to the amount of non-single payment premiums, principally monthly premiums and including quarterly, semi-annual and annual premiums, recognized in a specified year or period in respect of policies sold during such year or period;
- "**first year single payment premiums**" refers to the amount of single payment premiums recognized in a specified year or period in respect of policies sold during such year or period;
- "**general agencies**" refers to large-sized independent insurance sales agencies;
- "**Government**" refers to the government of the Republic of Korea;
- "**gross premiums**" refers to the amount of premiums recognized in a specified year or period in respect of policies in force during such year or period, including premiums for our separate accounts;
- "**Korea**" refers to the Republic of Korea;
- "**U.S.**" or the "**United States**" refers to the United States of America;
- "**U.S. dollars**," "**US$**" or "**$**" refers to the lawful currency of the United States of America; and
- "**Won**" or "₩" refers to the lawful currency of the Republic of Korea.

For historical information regarding the rate of exchange between the Won and U.S. dollars, see "*Exchange Rates*." No representation is made that the Won or U.S. dollar amounts referred to in this offering circular 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. On 18 January 2022, the market average exchange rate, announced by Seoul Money Brokerage Services, Ltd. in Seoul, between Won and U.S. dollars, rounded to the nearest tenth of one Won (the "**Market Average Exchange Rate**") in effect was Won 1,192.3 to US$1.00.

Any discrepancies in the tables included herein between totals and sums of the amounts listed are due to rounding.

The information on our website, http://www.hanwhalife.com, to extent not incorporated by reference herein, or any website directly or indirectly linked to such website does not form a part of this offering circular and should not be relied upon.

PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated annual financial statements as of and for the years ended 2020 and 2019 and as of and for the years ended 31 December 2019 and 2018 and our unaudited consolidated interim financial statements as of 30 September 2021 and for the three and nine months ended 30 September 2021 and 2020 and the notes thereto (the "**Consolidated Financial Statements**") included in this offering circular have been prepared in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("**K-IFRS**"), which differ in certain significant respects from generally accepted accounting principles in other countries, including the United States. We have made no attempt to identify or quantify the impact of these differences. Certain financial information in this offering circular is presented on a separate basis, which is based on our separate financial statements.

DOCUMENTS INCORPORATED BY REFERENCE

Our audited separate annual financial statements as of and for the years ended 31 December 2020 and 2019 and as of and for the years ended 31 December 2019 and 2018 and our unaudited separate interim financial statements as of 30 September 2021 and for the three and nine months ended 30 September 2021 and 2020 and the notes thereto (the "**Separate Financial Statements**" and, together with the Consolidated Financial Statements, the "**Financial Statements**"), shall be deemed to be incorporated in, and to form part of, this offering circular. Prospective purchasers of the Securities should carefully review the entire offering circular, including the Separate Financial Statements incorporated by reference herein, before making an investment decision. No information or material which is, or may become from time to time, available on our website other than the Separate Financial Statements shall be deemed to be incorporated in, or to form part of, this offering circular.

CONTENTS

SUMMARY

The following summary highlights information appearing elsewhere in this offering circular and does not contain all of the information you should consider in making your investment decision. You should read this summary together with the more detailed information, including our Financial Statements. You should carefully consider, among other things, the matters discussed in "Risk Factors."

Our Company

We were established in 1946 as Korea's first life insurer and have led the Korean life insurance industry as one of the "Big Three" life insurers in Korea by market share in terms of gross premiums. We are the second largest life insurance company in Korea as measured by total assets of Won 128.0 trillion and total gross premiums of Won 8.8 trillion (consisting of Won 7.6 trillion in general account and Won 1.2 trillion in separate account) as of and for the nine months ended 30 September 2021 on a separate basis. As of the same date, we had approximately 11.6 million life insurance policies in force and approximately 5.1 million individual policy holders on a separate basis.

Our vision is to be a "LIFEPLUS Company" that adds value to the lives of our customers. We seek to enhance profitability based on a customer-centric value growth strategy, by focusing on selling higher-margin insurance products and optimizing our cost structure while catering to the market demand for new, innovative insurance and investment products under the evolving demographic and regulatory landscape in Korea, as well as investing in new areas of growth, such as under-penetrated overseas markets. We aim to offer a product portfolio that is fine-tuned to market trends and customer needs tracking the evolving environment of the insurance market and customer lifestyles in Korea and the overseas markets that we operate in, including health management, retirement plans and investing behaviours. Our insurance products and services consist of protection-type insurance products such as whole life and critical illness insurance, annuities, savings products, group life insurance products, variable insurance products and retirement insurance and pension products. We focus on maintaining a strong platform of higher-margin protection-type products, while reducing volume driven but lower-margin products such as savings products. These higher-margin protection-type products accounted for 60.4% and 61.5% of our total APE, including premiums for our separate accounts, in the nine months ended 30 September 2021 and the year ended 31 December 2020 on a separate basis. Our annuities products and other insurance products providing living benefits, such as annuity products that combine retirement and death benefits, continue to remain a strategic focus, as we seek to cater to the older and retired generation, the fastest growing segment of Korea's population. We address market demand for investment-linked insurance products with higher rates of return and greater investment flexibility by developing and distributing a variety of variable insurance products.

We have one of the most extensive distribution networks in Korea with a large number of dedicated financial planners, our primary distribution channel which engages in personalized consulting-based sales, through HLFS, our wholly-owned subsidiary and the largest general agency in Korea in terms of the number of financial planners as of 30 June 2021, according to the GIAK. We established HLFS in April 2021 by spinning off our financial planner sales team into a dedicated general agency company, which allows us to further specialize and grow the expertise of our financial planners, while achieving economies of scale and owning and controlling the financial planner and general agency value chain. By combining our distribution network and our customer database, we are able to conduct effective and efficient sales activities through targeting customer groups with tailored product offerings. Our HLFS financial planner distribution channel has generated approximately 49.8% and 52.5% of our APE for the nine months ended 30 September 2021 and the year ended

31 December 2020, respectively, on a separate basis. We also use other distribution channels, such as non-exclusive general agencies and bancassurance, and engage in diverse forms of marketing, such as operation of social media and digital marketing, which enable us to reach a broader range of customers and to respond to changes in consumer trends in our target insurance markets with greater agility, accessibility and efficiency.

We engage in the property and casualty insurance business in Korea through our consolidated subsidiary, Hanwha General Insurance Co., Ltd., in which we hold a 51.4% equity interest as of 30 September 2021. Established in 1946, HGI is a mid-sized property and casualty insurance company that offers a wide range of property and casualty insurance products, including long-term insurance products that provide protection against losses arising from a policyholder's illness, injuries, property losses or other events while also featuring a savings component. HGI also offers automobile insurance and other general property and casualty insurance products. As of 30 September 2021, HGI had approximately 8 million property and casualty insurance policies in force. Total assets of HGI on a separate basis, without intercompany adjustments, represented 12.5% of our consolidated total assets as of 30 September 2021, while operating revenue from HGI on a separate basis, without intercompany adjustments, represented 28.7% and 29.8% of our consolidated operating revenue for the nine months ended 30 September 2021 and the year ended 31 December 2020, respectively. In recognizing the trends towards transacting on digital platform and consumer preference, we launched Carrot General Insurance Co., Ltd., Korea's first all "digital" insurance company without any physical branches in October 2019 as a subsidiary of HGI. CGI offers innovative and flexible property and casualty insurance policies, such as per mile car insurance, smartphone screen protection insurance and financial phishing or hacking insurance, which are especially popular among the younger generation.

On the asset management side, we pursue a prudent investment management strategy by maintaining a diversified mix of investment assets and carefully managing risks and asset quality. In recent years, we have increased allocations to alternative investments and financial derivatives like bond forwards as part of our efforts to enhance risk-adjusted returns and reduce asset-liability duration gap. In addition to our internal asset management capabilities, we also engage in the asset management business through Hanwha Asset Management, a wholly-owned subsidiary. Established in 1988, Hanwha Asset Management which is the fourth largest asset management company in Korea in terms of assets-under-management, manages fund products and advises on discretionary investment, including beneficiary certificates and discretionary investments. In August 2021, Hanwha Asset Management acquired additional shares in Hanwha I&S to become its controlling shareholder. Hanwha I&S provides securities and financial services, including securities brokerage, development and sale of various financial products, asset management (such as wealth management and wholesale), trading, M&A advisory and investment banking services. The consolidation of Hanwha I&S is expected to bring further synergies to our asset management business. As of 30 September 2021, we wholly owned Hanwha Asset Management, which in turn owned a 46.1% interest in Hanwha I&S.

As we seek new areas of growth, we have established overseas operations and currently operate life insurance subsidiaries in Vietnam and Indonesia and a joint venture in China and representative offices in San Francisco, Beijing, Tokyo and Fukuoka. In the nine months ended 30 September 2021, our subsidiaries in Vietnam and Indonesia recorded operating revenue of Won 171 billion and Won 15 billion, respectively, and our joint-venture in China recorded an operating revenue of Won 139 billion. In 2020, our subsidiaries in Vietnam and Indonesia recorded operating revenue of Won 208 billion and Won 19 billion, respectively, and our joint-venture in China recorded an operating revenue of Won 215 billion.

Our operating revenues were Won 23,431 billion, Won 24,978 billion and Won 26,223 billion in 2018, 2019 and 2020, respectively, and Won 19,331 billion and Won 20,423 billion for the nine months ended 30 September 2020 and 2021, respectively. We reported profit for the period of Won 447 billion, Won 59 billion and Won 241 billion in 2018, 2019 and 2020, respectively, and Won 312 billion and Won 881 billion for the nine months ended 30 September 2020 and 2021, respectively. We had total assets of Won 161,621 billion and total equity of Won 13,329 billion as of 30 September 2021.

Our headquarters are located at 63 Hanwha Life Building, 50, 63-ro, Yeongdeungpo-gu, Seoul 07345, Korea. The website for HLI is http://www.hanwhalife.com, and the website for HGI is https://www. hwgeneralins.com. The websites for HLI and HGI are not incorporated into, and do not form a part of, this offering circular.

Our Strengths

We are widely regarded as one of Korea's leading life insurers, backed by a history of 75 years. We are the second largest life insurance company in Korea as measured by total gross premiums, with a market share of 12.35% in 2020 according to KLIA. Our principal strengths include the following:

Favourable demographics and supportive macroeconomic fundamentals

Our business is supported by a favourable market environment with macroeconomic fundamentals indicating opportunities for further growth, driven by the rapidly aging demographic and the consequent increase of healthcare spending. Korea is one of the world's fastest aging society with over 40% of the population projected to be over the age of 65 by 2060, according to the Korean Statistical Information Service, while Korea's annual expenditure on health per capital increased from approximately US$1,560 in 2008 to approximately US$3,500 in 2020 according to OECD, which has functioned as a catalyst for growth in the private insurance sector. In spite of this rapid pace of expansion, the Korean life insurance market has relatively lower density levels compared to other developed markets in Asia, indicating potential for continued growth.

Solid market leadership with superior profitability

We maintain a firm position as a market leader in the Korean life insurance industry. Both in terms of market share by total assets, or of market share by total gross premiums, we have consistently maintained the position as the second leading insurer in the industry since 2001, according to KLIA. We are also widely recognized as one of Korea's "Big Three" life insurers, which collectively accounted for approximately just less than half of aggregate gross premiums, in the Korean life insurance industry in 2020 according to KLIA. We have consistently developed our product offerings and distribution network which have anchored our growth to reach a total asset size of Won 128 trillion on a separate basis as of 30 September 2021.

We believe our scale of operations and depth of understanding of the Korean life insurance market are significant competitive advantages and will support our efforts to seize market growth and product expansion opportunities. We take advantage of our industry expertise and customer reach derived from our long operating history in the Korean insurance market to better assess and manage risks related to our insurance products, including through adjustments in product offerings and pricing.

Further earnings expansion potential driven by protection product-focused strategy

We believe the main driver of our solid performance lies in our strategic focus on protection-type products, which generally provide greater profitability compared to other product segments such as savings and annuities products, accounting for over half of our total APE. In the nine months ended 30 September 2021 and the year ended 31 December 2020, the proportion of protection products marked 60.4% and 61.5% out of our total APE, respectively, including premiums for our separate accounts on a separate basis. We are committed to continued development of protection products that demonstrate marketability and yield high profitability, and in particular for long-term protection products with a policy period of over 10 years.

Distribution through Hanwha Life Financial Service, the largest general agency, and other diversified channels

We believe an experienced financial planner distribution network is a critical core competency for the success of a Korean life insurance company. Our sales channels have functioned as a key competitive advantage in differentiating us from foreign and mid-to-small-sized life insurance companies in the market, and our mainstay focus has been our financial planner channel which provides us with significant customer reach and access through personalized consulting-based customer servicing. Due in part to further specialize and equip financial planners to better market our life and property and casualty insurance products and to own and control the financial planner and general agency value chain, we spun off our financial planner sales team as Hanwha Life Financial Service Co., Ltd., a wholly owned subsidiary, in April 2021. HLFS is the largest general agency in Korea in terms of the number of financial planners as of 30 June 2021 according to the GIAK, and currently has an exclusive arrangement to sell life insurance products offered by HLI only and non-exclusive arrangements to sell property and casualty insurance products from HGI and others. Spinning off our financial planner sales team into a dedicated general agency subsidiary, allows us to further specialize and grow the expertise of our financial planners in marketing and customer acquisition, relations and management, while achieving economies of scale and attracting and retaining top financial planners. Our HLFS financial planner channel comprised 49.8% and 52.5% of our total APE in the nine months ended 30 September 2021 and the year ended 31 December 2020, respectively, on a separate basis.

Our key strength also lies in our steady foothold across other distribution channels including the bancassurance network and non-exclusive general agencies. We have cultivated partnerships with all the major commercial banks in Korea, while over two-thirds of our premium income from bancassurance channel on a separate basis is contributed from our top four sales partners which are among the nation’s largest commercial banks, in the nine months ended 30 September 2021. We also have arrangements with over 140 non-exclusive general agencies on a separate basis. Overall, our bancassurance and non-exclusive general agency channels comprised 30.2% and 13.2% of our total APE in the nine months ended 30 September 2021, respectively, and 29.5% and 12.3% in 2020, respectively, on a separate basis.

High quality investment portfolio with emphasis on stability

We maintain a high-quality investment portfolio which is driven by a stable and prudent asset liability management (“**ALM**”) policy. We implement asset allocation policies that are driven by a strategic focus for longer-term investments, and tactical focus for shorter-term investments. With an aim for stability, we are expanding our scope of investments to safe assets including government and agency bonds that reflect our investment appetite. We also plan to enhance our investment yield by proactively reviewing investment opportunities into alternative investments and financial derivatives like bond forwards, which may offer relatively higher returns while adhering to our risk framework.

Committed to ESG Objectives

In January 2021, in furtherance of our ESG objectives, we, along with five other member companies of the Hanwha Group in the finance industry (including our subsidiaries HGI, CGI and Hanwha Asset Management), undertook not to finance any coal projects in our business portfolios. Furthermore, in March 2021, we established a Sustainability Management Committee as a board of directors' committee to ensure that our board of directors would consider ESG values in our senior management decisions. We believe that there are future growth opportunities through ESG, and our leadership in the ESG arena will best position us to take advantage of such opportunities.

Our Strategies

We are focused on delivering innovative products and services to our customers, establishing our digital platform and strengthening the health and well-being of our customers. We believe that our market position as the second largest life insurance company operating in Korea as measured by total gross premiums and the experience we have accumulated throughout our extensive corporate history will continue to differentiate us and allow us to expand our operations in Korea and, on a selective basis, overseas. Our long-term business objectives are to:

- Strengthen the company's position and business capabilities aligned to global industry leadership standards

- Secure sustainable growth through product diversification and effective cost management

- Cultivate a sophisticated corporate culture and infrastructure

To achieve these objectives, we intend to pursue the following business strategies:

Build toward a product mix yielding greater profitability

Given our emphasis on quality over quantity, we are focused on expanding product offerings that would maximize new business value growth and aiming beyond solely growing the size of the business. While maintaining the strong platform of our protection-type product offerings, we seek to expand our product offerings in order to meet our customers' needs for a wider range of insurance and financial products. As part of this strategy, we plan to identify new demand and sophisticate our products offered in potential growth sectors, including product segments for retirees and the elderly.

Moreover, we aim to strengthen our distribution of long-term whole life products, as well as non-guaranteed products which contribute to a healthier product portfolio. We believe that our core business strategy of expanding into sales of more sophisticated insurance products supports the goal of sustainable growth and improving profitability.

Beyond expanding the breadth of products offered, we are seeking to enhance the profitability of our business by implementing effective and prudent expense management and improved underwriting standards and practices. We seek to maintain detailed management of mortality margins and tighten controls in the underwriting cycle. On the cost side, we will continue to efficiently manage our operating and administrative expenses and expenses relating to servicing claims. As we move forward, we plan to continue to implement rigorous cost controls and further manage our policy persistency, claim payment ratio, expense margin and rates of return on investments to maintain our competitiveness in the market and strengthen our profit base.

Strategically leverage HLFS financial planners and other distribution channels

We plan to steadily enhance the strength and competitiveness of our distribution channels. We established HLFS in April 2021 by spinning off our financial planner sales team into a dedicated general agency company, which allows us to further specialize and grow the expertise of our financial planners, while achieving economies of scale and owning and controlling the financial planner and general agency value chain. In addition, as part of our investments in the financial planner channel and to our digital platform, in October 2020, we launched our Life MD, an all-in-one mobile app to recruit and train part-time financial planners and provide certified financial planners with digital tools for sales, which is currently being used by HLI.

As a means for strengthened and effective personnel development, HLFS aims to leverage on various analysis on the distribution patterns and existing customer base of financial planners to provide tailored training and support. HLFS also seeks to underscore to its financial planner force our mission for sustainable insurance sales based on high standards of professionalism. HLFS is committed to enhancing the training of its financial planners in order to equip them with best-in-class consulting capabilities to assess the financial needs of our customers and provide them with optimal solutions to address them.

Pursue new growth momentum, including synergies with Hanwha Group companies and overseas businesses

As of 30 September 2021, we owned a 51.4% interest in HGI, which in turn owned a 60.4% interest in CGI, and a 100% interest in Hanwha Asset Management, which in turn owned a 46.1% interest in Hanwha I&S. We seek to continue our close partnership with these entities as part of our strategy to develop additional distribution channels for life insurance products and capture new business opportunities. In addition, we seek synergies with other member companies of the Hanwha Group, such as with Hanwha Systems, an information and communication technology ("**ICT**") service provider within the Hanwha Group to whom we have delegated certain of our ICT functions. See Notes 42 and 43 of the notes to our consolidated interim financial statements as of 30 September 2021 and for the nine months ended 30 September 2021 and 2020.

Our endeavours into areas of potential growth also expand overseas, with operations reaching across Vietnam, Indonesia, and China. As the first life insurance company in Korea, we have developed valuable experience in taking a life insurance business from the initial stages of development into a fully matured industry leader. We have early on identified Vietnam, Indonesia, and China as markets with attractive growth potential where we believe we can apply our accumulated business know-how. In these new markets, we expect to selectively deploy sales and management systems conforming to international standards and asset management and risk management practices which are effective in and sensitive to local market characteristics.

Further enhance financial stability through improved risk and capital management

We are seeking to improve our risk management capabilities in order to reduce our risk profile, increase margins and enhance our overall financial stability. We have deployed risk-adjusted performance measurement system designed to provide risk-related information, which is expected to enable management to reach swifter and better-informed decisions by considering a range of relevant risks, including credit risks and market risks.

We also plan to further improve our capital management systems in light of impending regulatory capital adequacy developments and to fully comply with the latest domestic as well as international standards. We are preparing and taking appropriate measures to adopt K-IFRS 1117 and K-ICS, the new solvency regime, both of which are expected to be implemented in 2023.

THE OFFERING

The Issuer	Hanwha Life Insurance Co., Ltd.
Securities	US$750,000,000 3.379% Tier II Subordinated Sustainability Securities due 2032. The Securities have not been registered with the U.S. Securities and Exchange Commission (the "**SEC**"), and are being offered and sold outside the United States in reliance on Regulation S and inside the United States to qualified institutional buyers as defined under Rule 144A ("**QIBs**") in reliance on Rule 144A.
Joint Bookrunners and Joint Lead Managers	J.P. Morgan Securities plc, Citigroup Global Markets Inc., Merrill Lynch International, LLC Seoul Branch, and Standard Chartered Bank.
Joint Lead Manager	Hanwha Investment & Securities Co., Ltd.
Issue Date	4 February 2022.
Maturity Date	4 February 2032.
Redemption at Maturity	Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Securities on the Maturity Date at their outstanding principal amount, together with any interest accrued to (but excluding) the Maturity Date. The Securities may not be redeemed at the option of the Issuer other than in accordance with the Conditions.
Status of the Securities	The Securities constitute direct, unsecured and subordinated obligations of the Issuer and will at all times rank (i) junior to the Senior Obligations of the Issuer, (ii) *pari passu* and without any preference among themselves, *pari passu* with any Parity Obligations of the Issuer and (iii) senior to, in priority to the claims of holders of, Junior Obligations of the Issuer. The rights and claims of the Securityholders are subordinated as described below. If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under the Securities, a Bankruptcy Event of the Issuer occurs and so long as it continues, the rights and claims of the Securityholders to payment of principal and any interest under the Securities shall not be payable unless and until the total amount of any and all Senior Obligations of the Issuer which are 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.

If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under the Securities, a Rehabilitation Event of the Issuer occurs and so long as it continues, the rights and claims of the Securityholders to payment of principal and any interest under the Securities shall not be payable unless and until the total amount of any and all Senior Obligations of the Issuer which are listed on the rehabilitation plan of the Issuer at the time when the court's approval of such plan becomes final and conclusive is paid in full or provided to be 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).

If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under the Securities, a Liquidation Event of the Issuer occurs and so long as it continues, the rights and claims of the Securityholders to payment of principal and any interest under the Securities shall not be payable unless and until the total amount of any and all Senior Obligations of the Issuer which are reported during the claims reporting period or are required by the laws or regulations of Korea to be paid during the liquidation process is paid in full or provided to be paid in full in such liquidation process.

If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under the Securities, a Foreign Event of the Issuer occurs and so long as it continues, the rights and claims of the Securityholders to payment of principal and any interest under the Securities shall not be payable unless and until conditions equivalent to those enumerated in the above three paragraphs have 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 Securities shall become payable in accordance with the terms herein provided and not subject to such conditions.

"**Junior Obligations**" means (i) Subordinated Capital Securities issued by the Issuer, (ii) any class of the Issuer's share capital (including but not limited to any preference shares) and (iii) any other obligations of the Issuer that rank or are expressed to rank, by their terms or by operation of law, junior to the Securities.

"**Parity Obligations**" means any instrument or security issued, entered into or guaranteed by the Issuer (other than the Securities) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities.

	"**Senior Obligations**" means all claims of present and future policyholders and general creditors of the Issuer and other liabilities of the Issuer (other than Junior Obligations and Parity Obligations).
Interest	Each Security shall entitle the Securityholder thereof to receive interest on the principal amount thereof from and including the Issue Date at the Interest Rate applicable to the relevant period.
Interest Payment Dates	Interest on the principal amount of the Securities shall be payable semi-annually in arrear on 4 February and 4 August in each year (each, an "**Interest Payment Date**"), with the first Interest Payment Date falling on 4 August 2022 in respect of the period from, and including, the Issue Date to, but excluding, such first Interest Payment Date.
Interest Rate	The Interest Rate for the Securities shall be: (a) in respect of the period from, and including, the Issue Date to, but excluding, 4 February 2027 (the "**Interest Reset Date**"), 3.379% per annum; and (b) in respect of the period from, and including, the Interest Reset Date to, but excluding, the Maturity Date, a rate per annum equal to the sum of the Treasury Rate with respect to such period plus the Initial Spread (the "**Reset Interest Rate**").
No Interest Deferral Option	Interest deferral at the option of the Issuer is not applicable to the Securities.
Initial Spread	1.850% per annum.
Redemption at the Option of the Issuer	Subject to the satisfaction of the Optional Redemption and Purchase Conditions, the Issuer may, on the Interest Reset Date and each Interest Payment Date thereafter, upon giving a notice of redemption, redeem the Securities, in whole but not in part, at a redemption price equal to the principal amount of the Securities plus any accrued but unpaid interest to (but excluding) the date of redemption (the "**Optional Redemption Price**").
Redemption for Gross-up Event	Subject to the satisfaction of the Optional Redemption and Purchase Conditions, if a Gross-Up Event has occurred and is continuing, the Issuer may, at any time upon giving a notice of redemption, redeem the Securities, in whole but not in part, at the Optional Redemption Price.

"**Gross-Up Event**" means, on the occasion of the next payment due under the Securities, the Issuer has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any political subdivision of, or any authority in, or of, a Relevant Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective (or in the case of a change in the application or official interpretation, occurs or is being announced) on or after the Issue Date; and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Redemption for Regulatory Event…………………………………

Subject to the satisfaction of the Optional Redemption and Purchase Conditions and upon the occurrence of a Regulatory Event, the Issuer may, at any time upon giving a notice of redemption, redeem the Securities, in whole but not in part, at the Optional Redemption Price.

"**Regulatory Event**" means that where the Securities have been eligible as regulatory capital of the Issuer and at a subsequent time, due to a change of law, regulation or interpretation thereof, which change becomes effective (or in the case of a change in the application or official interpretation, occurs or is being announced) after the Issue Date, the Securities cease to be eligible, in whole or in part, as regulatory capital of the Issuer.

Redemption for Tax Deductibility Event…………………………………

Subject to the satisfaction of the Optional Redemption and Purchase Conditions and upon the occurrence of a Tax Deductibility Event, the Issuer may, at any time upon giving a notice of redemption, redeem the Securities, in whole but not in part, at the Optional Redemption Price.

"**Tax Deductibility Event**" means the occurrence of a more than insubstantial increase in the risk that interest payable by the Issuer on the Securities is not, or will no longer be, deductible by the Issuer, in whole or in part, for Korean (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) tax purposes, as a result of

(i) any change (including any officially announced proposed changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Korea (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after the Issue Date (or, in the case of a successor, following the date of succession), or (ii) any

	administrative decision, judicial decision, administrative action or any other official pronouncement interpreting or applying those law, regulations or rulings that is announced on or after the Issue Date (or, in the case of a successor, following the date of succession), and, in each case, such non-deductibility cannot be avoided by the Issuer through the taking of reasonable measures available to the Issuer.
Optional Redemption and Purchase Conditions	Any redemption of the Securities at the option of the Issuer (other than on the Maturity Date) is subject to (i) the prior approval of the FSS or other relevant regulatory authorities of Korea (if then required) and (ii) satisfaction of any other conditions as required under the Regulation on Supervision of Insurance Business (as amended or modified from time to time), the Detailed Enforcement Regulations on Insurance Business Supervision (as amended or modified from time to time) or other successive regulations in effect at the time of such redemption ((i) and (ii) collectively, the "**Optional Redemption and Purchase Conditions**"). The Optional Redemption and Purchase Conditions applicable as of the Issue Date are as follows: (a) immediately after such redemption (which shall have been decided by the Issuer at its sole discretion and approved by the FSS), the Issuer's Solvency Margin Ratio shall be equal to or greater than 150%; or (b) (A) the Issuer's Solvency Margin Ratio shall be equal to or greater than 100%; (B) prior to such redemption, the Issuer issues or incurs qualifying financing via instruments with stronger capital characteristics (such as shares or instruments with a maturity longer than the remaining maturity of the Securities and with more favourable financing terms, including but not limited to a lower interest rate) in an amount not less than the aggregate principal amount of the Securities to be redeemed; (C) the Interest Rate of the Securities shall have been recognised by the FSS as significantly unfavourable to the Issuer due to changes in market conditions since the Issue Date; and (D) the Issuer shall have obtained prior approval from the FSS for such redemption.
Taxation	All payments (if any) of principal of and interest on, the Securities by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer will pay Additional Amounts as may be necessary in order that the net amounts received by

the Securityholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Securities in the absence of the withholding or deduction, subject to certain exceptions.

Form and Denomination	The Securities will be issued in registered form in denominations of US$200,000 each and integral multiples of US$1,000 in excess thereof.
Use of Proceeds	The Securities are being issued as "Sustainability Bonds" in accordance with the Issuer's Sustainability Bond Framework. See "*Sustainability Bond Framework.*" Accordingly, the Issuer expects to use an amount equal to the net proceeds from the Offering, which are expected to be approximately US$746,525,000 (net of underwriting discounts and commissions but prior to deducting other offering expenses), to finance or refinance new or existing Eligible Projects in accordance with its Sustainability Bond Framework. See "*Use of Proceeds*."
Global Securities	The Securities will be initially represented by one or more global certificates in fully registered form without interest coupons (the "**Global Securities**"). The Global Securities will be deposited upon issuance with the custodian for The Depository Trust Company ("**DTC**") and registered in the name of DTC or its nominee. Beneficial interests in the global securities may be held only through DTC (or any successor clearing system that holds global securities) and its participants, including Euroclear Bank, SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**").
Ratings	The Securities are expected to be rated "Baa1" by Moody's and "A-" by S&P. A rating is not a recommendation to buy, sell or hold the Securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.
Governing Law	The Securities, the Deed of Covenant and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that the provisions of the Securities relating to subordination (Condition 3.2) shall be governed by Korean law.
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Securities on the SGX-ST. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly,

	the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.
Selling Restrictions......................	There are restrictions on the distribution of this offering circular and the making of solicitations pursuant hereto in certain jurisdictions, including, among others, the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore and Korea. See "*Plan of Distribution*" and "*Transfer Restrictions*."
Security Codes............................	

	CUSIP	ISIN	Common Code
Rule 144A	41135UAB1	US41135UAB17	243311039
Regulation S ...	Y306AXAD2	USY306AXAD26	243310938

SUMMARY FINANCIAL AND OPERATING DATA

The following tables set forth our summary financial and operating data. Our summary financial data as of and for the years ended 31 December 2018, 2019 and 2020 and as of 30 September 2021 and the nine months ended 30 September 2020 and 2021 set forth below has been derived from our Consolidated Financial Statements included elsewhere in this offering circular. It is important that you read our summary financial and operating data set forth below in conjunction with our Financial Statements, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other historical financial information appearing elsewhere in this offering circular. Our Consolidated Financial Statements included in this offering circular have been prepared in accordance with K-IFRS, which differ in certain significant respects from generally accepted accounting principles in other countries, including the United States.

Summary Statements of Comprehensive Income Data

	For the Years Ended 31 December			For the Nine Months Ended 30 September	
	2018	**2019**	**2020**	**2020**	**2021**
	(in billions of Won, except per share amount)				
Operating revenue					
Insurance premium income	₩14,926	₩15,588	₩16,228	₩12,191	₩ 12,286
Reinsurance Income	1,356	1,495	1,258	936	973
Interest income	3,046	2,988	3,000	2,312	2,215
Gain on compensation receivables	4	3	–	*N/M*	–
Gain on valuation and disposal of financial assets at fair value through profit or loss	57	151	166	135	327
Gain on valuation and disposal of available-for-sale financial assets	273	576	1,186	848	665
Gain on foreign currency transactions	1,073	1,403	698	1,012	1,999
Gain on valuation and disposal of derivatives	464	751	1,594	424	390
Other income	928	837	916	602	707
Fees from separate accounts	1,116	988	993	737	724
Separate account revenue	188	198	184	134	139
	23,431	**24,978**	**26,223**	**19,331**	**20,423**
Operating expenses					
Change in reserves for insurance contracts	₩ 4,289	₩ 4,646	₩ 4,687	₩ 3,448	₩ 3,140
Insurance claims paid	11,191	11,880	12,349	9,214	9,558
Reinsurance expenses	1,422	1,584	1,337	1,003	1,112
Business expenses	1,885	1,985	2,015	1,504	1,455
Amortization of deferred policy acquisition costs	1,332	1,252	1,250	929	921
Property administration expenses	112	131	123	95	105
Claim handling expenses	108	116	117	88	91
Loss on compensation receivables	–	–	2	–	1
Loss on valuation and disposal of financial assets at fair value through profit or loss	44	43	60	83	118
Loss on valuation and disposal of available-for-sale financial assets	155	370	386	321	74
Loss on valuation and disposal of loans and other receivables	29	128	115	75	22
Loss on foreign currency transactions	234	367	1,550	245	86
Loss on valuation and disposal of derivatives	1,265	1,767	1,162	1,325	2,212
Other expenses	504	440	454	396	438
Fees for separate accounts	23	21	54	41	23
Separate account expenses	186	198	184	134	139
	22,780	**24,929**	**25,846**	**18,901**	**19,495**
Operating profit	**650**	**49**	**377**	**430**	**928**

	For the Years Ended 31 December			For the Nine Months Ended 30 September	
	2018	2019	2020	2020	2021
	(in billions of Won, except per share amount)				
Non-operating revenues	**50**	**62**	**41**	**25**	**356**
Non-operating expenses	**64**	**76**	**110**	**31**	**20**
Profit before income tax	**636**	**35**	**308**	**424**	**1,264**
Income tax expense (income)	190	(24)	67	112	383
Profit for the period	**₩ 447**	**₩ 59**	**₩ 241**	**₩ 312**	**₩ 881**
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss					
Gain on revaluation of property and equipment	10	4	3	2	4
Remeasurements of net defined benefit liabilities	(19)	(3)	1	*N/M*	10
Items that may be subsequently reclassified to profit or loss					
Changes in the fair value of available-for-sale financial assets	(351)	2,268	(74)	1,057	(2,167)
Changes in gains(losses) on valuation of held-to-maturity financial assets	12	(73)	–	–	–
Share of other comprehensive income of associates	3	(4)	(1)	3	5
Changes in the fair value of derivatives instruments for hedge accounting	0.6	(159)	(62)	(42)	(102)
Other comprehensive income of separate accounts	17	67	4	33	(85)
Currency translation differences	6	45	(31)	(2)	51
Other comprehensive income for the period, net of tax	(320)	2,144	(160)	1,052	(2,285)
Total comprehensive income for the period	**₩ 126**	**₩ 2,203**	**₩ 81**	**₩ 1,363**	**₩ (1,405)**
Profit is attributable to:					
Owners of the Parent Company	₩ 415	₩ 100	₩ 235	₩ 284	₩ 814
Non-controlling interest	31	(42)	6	28	66
Total comprehensive income for the period is attributable to:					
Owners of the Parent Company	₩ 65	₩ 2,042	₩ 96	₩ 1,262	₩ (1,325)
Non-controlling interest	61	160	(15)	102	(80)
Earnings per share					
Basic and diluted earnings per share	₩ 473	₩ 18	₩ 184	₩ 279	₩ 986

N/A = Not Meaningful

Summary Statements of Financial Position Data

	As of 31 December			As of 30 September
	2018	2019	2020	2021
	(in billions of Won)			
Assets				
Cash and cash equivalents	₩ 1,839	₩ 951	₩ 1,052	₩ 1,303
Deposits	792	1,020	506	1,110
Financial assets at fair value through profit or loss	5,629	7,165	8,550	15,248
Available-for-sale financial assets	28,215	70,628	72,051	74,997
Held-to-maturity financial assets(1)	36,742	–	–	–
Investments in associates and joint ventures	156	231	257	363
Loans	26,915	28,813	29,596	31,103
Property and equipment	1,803	1,855	1,902	1,949
Investment property	2,517	2,554	2,551	2,432
Intangible assets	1,216	1,163	1,134	1,160
Right-of-use assets(2)	–	79	81	154
Derivative assets	377	298	1,051	181
Net defined benefit assets	14	–	5	1
Current tax assets	12	141	145	11
Deferred tax assets	15	15	9	80
Other financial assets	1,452	1,761	1,536	2,471
Other assets	2,928	3,049	3,026	3,085
Separate account assets	21,463	22,128	25,322	25,974
Total assets	**₩ 132,084**	**₩ 141,850**	**₩ 148,775**	**₩ 161,621**
Liabilities and Equity				
Insurance contract liabilities	₩ 94,572	₩ 99,268	₩ 103,899	₩ 107,116
Policyholders' equity adjustment	539	1,207	1,208	467
Financial liabilities at fair value through profit or loss	–	–	–	1,451
Borrowings and Debentures	690	556	553	7,191
Current tax liabilities	291	5	4	87
Deferred tax liabilities	380	1,066	1,016	584
Derivative liabilities	322	608	185	1,185
Net defined benefit liabilities	166	174	167	297
Provisions	15	16	76	76
Other financial liabilities	1,312	1,976	1,911	3,896
Other liabilities	121	154	204	241
Separate account liabilities	22,246	22,826	25,608	25,701
Total liabilities	**₩ 120,655**	**₩ 127,857**	**₩ 134,831**	**₩ 148,292**
Equity				
Equity attributable to owners of the Parent Company				
Share capital	₩ 4,343	₩ 4,343	₩ 4,343	₩ 4,343
Additional paid-in capital	(458)	(458)	(454)	(453)
Hybrid capital instruments	1,558	2,056	2,056	2,056
Other components of equity	879	2,821	2,681	537
Retained earnings	3,986	3,924	4,041	4,765
Non-controlling interests	**1,123**	**1,307**	**1,278**	**2,081**
Total equity	**11,430**	**13,993**	**13,944**	**13,329**
Total liabilities and equity	**₩ 132,084**	**₩ 141,850**	**₩ 148,775**	**₩ 161,621**

(1) During the year ended 31 December 2019, our management reclassified held-to-maturity financial assets to available-for-sale financial assets as our intent and ability to hold held-to-maturity financial assets changed. See Note 7 of the notes of our audited consolidated financial statements as of and for the years ended 31 December 2019 and 2018.

(2) The Company has adopted Korean IFRS 1116, retrospectively, from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. From 1 January 2019, leases are recognized as a right-of-use asset pursuant to the implementation of K-IFRS 1116. See Note 2.2 of the notes of our audited consolidated financial statements as of and for the years ended 31 December 2019 and 2018.

Operating Data of HLI (Including Separate Accounts)

	As of or for the Year Ended 31 December			As of or for the Nine Months Ended 30 September 2021
	2018	2019	2020	
	(on a separate basis) (in billions of Won, except as otherwise indicated)			
Total policies in force (in thousands)	11,831	11,648	11,680	11,600
Number of new policies sold (in thousands)	1,744	1,920	1,818	1,138
Gross premiums[(1)(2)]	₩ 14,240	₩ 14,014	₩ 14,775	₩ 9,880
First year premiums[(1)(2)]	₩ 3,808	₩ 3,741	₩ 4,871	₩ 2,889
First year regular payment premiums	₩ 3,470	₩ 3,374	₩ 4,255	₩ 2,093
First year single payment premiums	₩ 338	₩ 368	₩ 616	₩ 796
In-force face amount growth ratio[(3)]	(1.6)%	(1.1)%	(0.1)%	(0.7)%
Lapse and surrender ratio[(4)]	8.2%	8.1%	7.7%	5.6%
Policy persistency ratio[(5)]				
13-month	81.7%	81.8%	83.2%	84.9%
25-month	64.6%	60.1%	60.2%	64.6%
Loss ratio[(6)]	77.9%	81.5%	79.6%	81.7%
Operating expense ratio[(7)]	13.3%	14.3%	14.1%	14.7%
Risk-based capital adequacy ratio[(8)]	212.2%	235.3%	238.3%	193.5%
Return on equity[(9)]	3.8%	1.0%	1.6%	4.2%
Return on assets[(10)]	0.3%	0.1%	0.2%	0.4%

(1) The amount of premiums received in a specified period in respect of policies in force during such period, on a separate basis.

(2) Includes (i) the portion of premiums paid by variable insurance policyholders that relates to benefits based on the performance of the underlying investment assets and (ii) premiums from retirement pension products, on a separate basis, which are not recognized as premium income in our statements of comprehensive income.

(3) The ratio of (i) the difference between the total face amount of policies that have not expired or been terminated as of the end of the specified period and the aggregate face amount of policies in force at the beginning of such period to (ii) the aggregate face amount of policies in force at the beginning of such period, on a separate basis.

(4) The ratio of the aggregate face amount of all policies that were terminated or expired and were not renewed during the specified period to the sum of (i) the aggregate face amount of policies in force at the beginning of such period and (ii) the aggregate face amount of policies sold during such period, on a separate basis.

(5) The ratio of (i) the sum of the aggregate face amount of the policies that remained in force at the 13th month or 25th month policy anniversary date, as applicable, falling within the specified period to (ii) the sum of the aggregate face amount of all policies sold that would have had such a policy anniversary date, on a separate basis, as calculated in accordance with the applicable requirements of the FSS.

(6) The ratio of (i) total claims paid for the specified period to (ii) risk insurance premiums for such period, on a separate basis.

(7) The ratio of (i) the sum of policy acquisition and maintenance expenses for the specified period (before adjusting for deferred acquisition costs) to (ii) general account and separate account premium income for such period, on a separate basis.

(8) Calculated in accordance with the applicable requirements of the FSS. For information regarding our available capital for purposes of calculating our statutory risk-based capital adequacy ratio, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk-Based Capital Adequacy Requirements*."

(9) The ratio of (i) net income for the specified period (annualized for interim periods) to (ii) the average total equity for such period, on a separate basis.

(10) The ratio of (i) net income for the specified period (annualized for interim periods) to (ii) the average total assets for such period, on a separate basis.

Operating Data of HGI

	As of or for the Year Ended 31 December			As of or for the Nine Months Ended 30 September 2021
	2018	2019	2020	
	(on a separate basis) (in billions of Won, except as otherwise indicated)			
Total policies in force (in thousands)	8,178	8,443	8,232	8,191
Number of new policies sold (in thousands)	4,884	4,711	3,700	2,568
Gross direct written premiums(1)	₩ 5,603	₩ 5,965	₩ 5,976	₩ 4,488
Net earned premiums(2)	₩ 4,341	₩ 4,567	₩ 4,781	₩ 3,595
Loss ratio(3)	83.1%	85.5%	85.4%	83.2%
Operating expense ratio(4)	25.3%	26.3%	22.5%	21.9%
Risk-based capital adequacy ratio(5)	195.1%	181.0%	221.5%	191.3%
Return on equity(6)	6.3%	(3.9)%	5.2%	13.7%
Return on assets(7)	0.5%	(0.3)%	0.5%	1.1%

(1) The amount of direct written premiums received in a specified period in respect of policies in force during such period, on a separate basis.

(2) The sum of (i) gross direct written premiums for the specified period, (ii) reinsurance premium income for such period, (iii) return of surrender refunds for such period and (iv) total unearned premiums deferred from the previous period, less the sum of (x) reinsurance expenses for the specified period, (y) surrender refunds for such period and (z) total unearned premiums deferred to the next period, on a separate basis.

(3) The ratio of (i) total claims paid for the specified period to (ii) net earned premiums for such period, on a separate basis.

(4) The ratio of (i) the sum of policy acquisition and maintenance expenses for the specified period (before adjusting for deferred acquisition costs) to (ii) net premiums written for such period, on a separate basis.

(5) Calculated in accordance with the applicable requirements of the FSS. See "*Regulation and Supervision — Risk-Based Supervision of Insurance Companies — Risk-Based Capital Adequacy Requirements.*"

(6) The ratio of (i) profit for the specified period (annualized for interim periods) to (ii) the average total equity for such period, on a separate basis.

(7) The ratio of (i) profit for the specified period (annualized for interim periods) to (ii) the average total assets for such period, on a separate basis.

RISK FACTORS

You should carefully consider the risks described below and all other information contained in this offering circular before making an investment decision. If any of the following risks, as well as other risks and uncertainties that are not currently known or that we currently think are immaterial, are actually realized, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of the Securities could decline, and you may lose part or all of your investment.

Risks Relating to Our Business

There is significant competition in the industries in which we operate, and we may experience declines in our market share and profitability as a result.

There is significant competition in the Korean life insurance and property and casualty insurance industries. Competition is based on a number of factors, including brand recognition, service, product features, price, quality of investment advice, investment performance, perceived financial strength and credit ratings. In recent years, there has been downward pressure on margins of insurance products as some of our competitors have sought to obtain or maintain market share by reducing margins and increasing marketing efforts. As the Korean life insurance and property and casualty insurance industries continue to mature, they may experience a slowdown in growth as well as a stagnation in market penetration. Due to these and other factors, we believe that competition will likely remain intense in the future. Sustained or increased competition may lead to decreases in our market share and our margins, resulting in a material adverse impact on our revenues and profitability.

Historically, the Korean life insurance industry has been dominated by Samsung Life Insurance, Kyobo Life Insurance and HLI, known as the “Big Three” which together had a combined market share of just less than half of total gross premiums in 2020, according to data from the KLIA. HLI had the second largest market share in the life insurance industry with a 12.4% share of total gross premiums in 2020 according to KLIA. HLI also competes with small- to mid-sized domestic life insurance companies, such as Mirae Asset Life Insurance, Nonghyup Life Insurance, Shinhan Life Insurance, Heungkuk Life Insurance, as well as Korean affiliates of foreign life insurance companies, such as MetLife Insurance Company of Korea, Tong Yang Life Insurance and Prudential Life Insurance Company of Korea, whose parent companies may have greater experience and resources in their respective home markets. Furthermore, in specific areas such as accident and health insurance, savings insurance and variable insurance, HLI’s products also compete with those offered by property and casualty insurance companies, commercial banks, securities companies and asset management companies. In addition, risk protection products with insurance features are also sold by the Korea Post through its extensive nationwide branch network. Certain of our competitors are larger in terms of asset size and customer base, have greater financial resources, offer a broader range of products or have access to a more extensive distribution network than we do. In the Korean property and casualty insurance market, HGI primarily competes with domestic property and casualty insurance companies such as Samsung Fire & Marine Insurance, Hyundai Marine & Fire Insurance, DB Insurance, KB Insurance, Meritz Fire & Marine Insurance and Heungkuk Fire & Marine Insurance. HGI had the sixth largest market share in the property and casualty insurance industry in terms of total gross premiums in 2020 according to the GIAK. While property and casualty insurance companies are currently not permitted to offer certain whole life insurance, term life insurance, annuity or variable insurance products, they do compete with life insurance companies in providing certain long-term protection-type insurance products.

In recent years, large financial holding companies in Korea and foreign insurance companies, which are significantly larger and may have more resources and synergies than us, have made significant acquisitions of insurance companies, further increasing competition in the market. In 2020, Shinhan Financial Group acquired Orange Life Insurance, while KB Financial Group acquired Prudential Life Insurance Company of Korea. In October 2021, Chubb, a U.S. based insurance group, announced that it would acquire LINA Life Insurance Company of Korea. We expect that changes in the competitive landscape of the life insurance and property and casualty insurance industries, as well as the broader financial industry generally, will continue. Such changes may significantly increase the customer base and operating scale of some of our competitors. Certain of the financial institutions resulting from these changes may, by virtue of their increased size and business synergies, create greater competition for us. In addition, in February 2021, the FSC announced that it was reviewing proposals to allow financial holding companies to possess more than one license each for a life insurance company and a property and casualty insurance company. If such restriction is lifted, there could be increased competition in the market.

Regulatory changes and Government policies have also affected, and will continue to affect, the level of competition in the Korean life insurance industry. Partly in response to Government efforts to encourage the growth of fintech companies as part of the Government's fourth industrial revolution policy, we have seen entry of companies from the fintech sector to the broader Korean insurance industry. In November 2018, Toss, a mobile consumer financial platform, established a general agency subsidiary. Similarly, in July 2019, Kakao Pay, another mobile consumer financial platform, acquired Inbyu, a general agency start-up renamed as KP Insurance Service. The FSC is currently formulating guidelines related to online platform general agencies. In addition, in February 2021, the FSC announced revisions to the Enforcement Decree of the Insurance Business Act, which would allow for the establishment of insurance companies with minimum capitalization of Won 2 billion to offer short term insurance products. Such revisions are is expected to encourage fintech companies to establish online platform-based insurance companies further increasing competition in the broader insurance industry.

While we seek to aggressively develop and launch innovative insurance products that were not previously offered in the Korean insurance market, our competitors may offer substantially similar products soon after we launch our new products, which may adversely affect our sale of such new products. Our competitors may also be more successful in strengthening their distribution channels, including digital and mobile platforms. In addition, we may need to commit additional resources to expand our operations to compete successfully in the broader financial industry, as well as build our digital platform to better market and deliver our services to customers. Increased competition may lead to decreases in our market share and margins on our products, resulting in a material adverse impact on our future profitability.

We may be required to raise additional capital or reduce our growth or business scale if our risk-based capital adequacy ratio deteriorates or the applicable capital requirements change in the future.

Pursuant to the risk-based capital adequacy requirements of the Insurance Business Act, insurance companies in Korea are required to maintain a statutory ratio of available capital to required capital of not less than 100%, while the recommended FSS guideline is 150%. Risk-based capital adequacy requirements require insurance companies to hold adequate capital to cover their exposures to interest rate risk, market risk, credit risk and operational risk as well as insurance risk by reflecting such risks in their calculation of required capital. The statutory risk-based capital adequacy ratio for life insurance companies is computed by dividing available capital by required capital. Available capital of an insurance company is computed as the sum of, among other things, capital stock, reserve for policyholder dividends and bad debt allowance after deducting, among other things, undepreciated acquisition costs, business rights and deferred corporate tax assets. Required capital is computed based on the sum of (i) the square root of the sum of the squares of (w) insurance risk amounts,

(x) interest rate risk amounts, (y) credit risk amounts and (z) market risk amounts, and (ii) the operating risk amount, with each risk amount being calculated in accordance with the detailed criteria set forth under Article 7-2 of the Regulation on Supervision of Insurance Business and Article 5-7-3 and Table 22 under the Enforcement Rules of the Regulation on Supervision of Insurance Business. As of 31 December 2018, 2019 and 2020 and 30 September 2021, our capital adequacy ratios were 212.2%, 235.3%, 238.3% and 193.5%, respectively.

In July 2018, the FSC first proposed the Korean-Insurance Capital Standards ("**K-ICS**"), a new regulatory solvency regime for insurance companies in Korea based on the Insurance Capital Standards developed by the International Association of Insurance Supervisors. The main objective of the Insurance Capital Standards is to enhance global convergence on insurance capital standards, including a common methodology to calculate capital and evaluate solvency positions, to allow comparability of insurance companies globally. Compared to the current methodology to measure risk-based capital, K-ICS would (i) measure insurance contract liabilities based on present market value instead of book value, (ii) consider additional risks, such the risks of longevity, catastrophic mortality events and surrenders, in the calculation of required capital, and (iii) strengthen risk measurement, among other changes. The implementation of K-ICS is expected to result in the general decrease in risk-based capital adequacy ratios of life insurance companies under the expanded scope of risk recognition in the calculation of required capital. Furthermore, life insurance companies with a large portfolio of guaranteed rate of return products, including us, may face additional decrease as the present market value of liabilities are generally greater than the book value of such products under the current low prevailing interest rate environment. Conversely, an increase in the prevailing interest rate would reduce the present market value of such liabilities and increase the risk-based capital adequacy ratio. The K-ICS is currently scheduled to be implemented for annual periods beginning on or after 1 January 2023.

In September 2021, due in part to concerns that the implementation of K-ICS would result in a reduction in risk-based capital adequacy ratio of insurance companies, the FSC discussed certain transitional measures for the gradual implementation of K-ICS to ensure a smooth transition for insurance companies. Among the transitional measures that would be applicable to all insurance companies, the FSC discussed (i) allowing insurance companies to recognize up to 15% of its total required capital with hybrid capital securities issued before the implementation of K-ICS during the transitional period (hybrid capital securities were previously slated to be recognized as supplemental capital, commonly referred to as Tier II capital, upon the implementation of K-ICS) and (ii) increasing the preparatory time for filings required under K-ICS of quarterly reports from two months to three months and of annual reports from three months to four months. In addition, the FSC discussed providing additional transitional measures to insurance companies who apply for them. Under transitional measure on technical provision, also known as TTP, the FSC discussed allowing insurance companies to gradually accumulate liability reserves during the transitional period corresponding to the increase in insurance liabilities due to the implementation of K-ICS. Similarly, under transitional measure on insurance risk, also known as TIR, the FSC discussed allowing insurance companies to gradually recognize the additional risks required for the calculation of required capital under K-ICS during the transition period. In December 2021, the FSS issued a tentative plan to implement K-ICS. The tentative plan proposed additional transitional measures, including the grandfathering of Tier II subordinated securities issued before the implementation of K-ICS to continue to be recognized as Tier II capital under K-ICS until the end of 2032, while reaffirming the FSC's existing proposal to allow the grandfathering 15% of an insurance company's total required capital with hybrid capital securities issued before the implementation of K-ICS. The details of the implementation of K-ICS, including the transitional measures proposed by the FSC and the FSS, as well their timing and duration, have yet to been finalized and may be further amended or supplemented in the future. In our preparations for the implementation of K-ICS, we are currently examining how the transitional measures, as presently proposed, would affect our risk-based capital adequacy ratio.

There is no guarantee that we will not be required to raise additional capital to sustain our risk-based capital adequacy ratio above the required level in connection with the future implementation of K-ICS or any other regulations. Any material deterioration in our risk-based capital adequacy ratio could change our customers' or our business counterparties' perception of our financial health, which in turn could adversely affect our sales, earnings and operations. Furthermore, while our risk-based capital adequacy ratio is currently above the required level, if we grow rapidly or if our asset quality deteriorates in the future, we may need to raise additional capital to meet our capital adequacy requirements. If we are not able to raise any additional required capital, we may be forced to reduce the growth or scale of our business.

Changes in accounting standards and their implementation could adversely impact our reported results of operations and financial condition and their comparability.

Our financial statements are subject to the application of K-IFRS, which is periodically revised or expanded. Accordingly, we are, from time to time, required to adopt new or revised accounting standards issued by the Korean Accounting Standards Board (the "**KASB**"), which coordinates with the International Accounting Standards Board (the "**IASB**") to have International Financial Reporting Standards as issued by the IASB ("**IFRS**") translated into Korean for adoption as K-IFRS.

In response to a lack of comparability in the global insurance industry stemming from variations in accounting policies being applied, in May 2017, the IASB issued IFRS 17, a new IFRS accounting standard for insurance contracts to supersede IFRS 4. IFRS 17 introduces a fundamentally different approach to previous accounting policies under IFRS 4 in terms of both liability measurement and profit recognition. Under IFRS 17, insurance contract liabilities will no longer be calculated based on historical or past assumptions but based on the present value of future insurance cash flows using a discount rate reflecting current interest rates and the characteristics of the insurance contracts, with a risk adjustment and deferral of up-front profits. Among other effects, this may result in an increase in the level of our liabilities, which would lead to a decrease in the balance of our available capital, which in turn may lower our risk-based capital adequacy ratio, depending on the application of K-ICS. In addition, under IFRS 17, certain parts of premium income from insurance contracts will be recognized over the coverage period in proportion to the value of expected coverage and other services that the insurer will provide over such period, rather than recognized at the time of receipt of premium payments, and the investment component of an insurance contract (which refers to amounts to be repaid to policyholders even if the insured event does not occur) will be disaggregated and excluded from premium income. Such changes to revenue recognition methodology will likely have the effect of, among other things, reducing the reported revenue from our insurance operations. In April 2021, the KASB adopted IFRS 17 and issued K-IFRS 1117, which is currently scheduled to be effective for annual periods beginning on or after 1 January 2023. Given the complexity of K-IFRS 1117 and the significant amount of time and resources that will be required to adopt K-IFRS 1117 accounting, we have established and are in the process of executing an implementation plan, including investments in comprehensive information technology systems and processes in order to enhance our financial analysis and impact assessment.

Separately, in September 2015, the KASB issued K-IFRS 1109, a new accounting standard for financial instruments, which replaced K-IFRS 1039 for annual periods beginning on or after 1 January 2018. Key features of K-IFRS 1109 include (i) classification and measurement of financial assets on the basis of an entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets, (ii) impairment methodology that reflects the "expected credit loss" model for financial assets, as opposed to "incurred losses" (as was the case under K-IFRS 1039) and (iii) expanded scope of hedged items and hedging instruments which qualify for hedge accounting and changes in assessment method for effect of hedging relationships. The impact on our financial statements due to the application of K-IFRS 1109 depends on judgements made by us in applying the new standard, the nature of financial instruments held by us and macroeconomic variables. As we have elected to defer the application of K-IFRS 1109, pursuant applicable exceptions, until the annual period beginning on 1 January 2023, we continue to analyse the potential impact on the reporting of our financial results and condition.

Any changes in accounting standards, including the implementation of the K-IFRS equivalent of IFRS 17 and K-IFRS 1109, could adversely change our reported results of operations and financial condition. Furthermore, the implementation of such changes could result in significant implementation costs and operational difficulties and affect the comparability of our results of operations and financial condition before and after the implementation of such changes.

Changes in interest rates may reduce the profitability of our spread businesses and the return on our investments, as well as negatively impact our risk-based capital adequacy ratio.

Our results of operations depend, in part, on prevailing interest rates, our level of net interest income and our effective management of the impact of changing interest rates and varying asset and liability maturities in connection with both our life insurance and property and casualty insurance businesses. In particular, some of our life insurance products, principally fixed annuities and savings policies with guaranteed minimum annuity or interest payments, expose us to the risk that changes in interest rates will reduce our "spread", or the difference between the amounts that we are required to pay under the relevant policies and the rate of return we are able to generate on the general account investments of our insurance operations intended to support our obligations under the policies. Declines in our spread from these products or other spread businesses we conduct could have a material adverse effect on our business, financial condition and results of operations.

In periods of declining interest rates, we have to reinvest the cash we receive as interest or return of principal on our investments in lower yielding instruments then available. In a declining interest rate environment, we may not be able to find attractive new reinvestment opportunities for our portfolio of fixed-interest debt securities, a portion of which will mature in the next few years. Moreover, while we are entitled to adjust the base rate applicable to our interest-sensitive insurance products, which provide benefits determined in accordance with a floating interest crediting rate, we may not be able to do so on a timely basis in periods of declining interest rates because making such adjustments could have a significant adverse effect on our sales and reputation. Furthermore, some of our insurance products, including fixed annuities, have guaranteed minimum interest or annuity payments, which we are not entitled to reset. Accordingly, our spreads could decrease and potentially become negative. Conversely, in periods of increasing interest rates, the yields on the assets in our insurance business' general account may not be sufficient to fund the higher floating interest credit rates necessary to keep our interest-sensitive insurance products competitive. We therefore may have to accept a lower spread and thus lower profitability or face a decline in sales and greater attrition among existing policyholders. In addition, in periods of increasing interest rates, the value of our fixed-interest assets may decline, resulting in lower unrealized gains within other comprehensive income in our total equity, which in turn would lower our available capital and our risk-based capital adequacy ratio. Moreover, surrenders and withdrawals of insurance policies and annuity contracts may increase as policyholders seek to buy products with perceived higher returns. This process may lead to a cash outflow from our insurance business. Such cash outflows may require us to sell our investment assets at a time when the prices of those assets are lower because of the increase in market interest rates, which may result in realized investment losses. Unanticipated surrenders and withdrawals also may require us to accelerate the amortization of deferred policy acquisition costs, which would increase our current expenses.

We currently use derivatives to help manage a portion of our interest rate risk, and plan to continue to do so in the future depending on market conditions and the availability of suitable products.

However, the derivatives we utilize may not be completely effective at managing such risk. Accordingly, changes in market interest rates may have a material adverse effect on our business, financial condition and results of operations. Many factors affect interest rates, including governmental monetary policies and domestic and international economic and political conditions. In recent years, interest rates in Korea have been at historic lows as the Bank of Korea has utilized monetary policies, including adjusting the policy interest rate to, stimulate economic growth or curb inflationary pressures. Between 2011 and 2019, the policy interest rate set by the Bank of Korea, to which the market interest rates correlate, has fluctuated within a range of 1.25% and 3.25%. In March 2020, amid growing concerns over the effects of the COVID-19 pandemic on macroeconomic conditions, the Bank of Korea cut the policy interest rate by 50 basis points to 0.75%, then a historic low since the Bank of Korea began setting the policy interest rate. The base interest rate was further reduced to 0.50% in May 2020 before it was raised to 0.75% in August 2021 and further raised to 1.00% in November 2021 and 1.25% in January 2022 where it remains as of the date of this offering circular.

We also seek to manage interest rate risk by matching, to the extent possible, the duration of our interest-bearing liabilities, such as our life insurance policy liabilities, and our interest-earning assets supporting such liabilities, such as HLI's general account investment assets. Matching the duration of our assets to their related liabilities reduces our exposure to changes in interest rates, because the effect of such changes on our interest-earning assets and interest- bearing liabilities will be offset against each other to a certain degree. Historically, the availability of long-term fixed income securities in the Korean financial markets has been limited, which has generally resulted in the average duration of interest-earning assets being shorter than that of interest-bearing liabilities of Korean life insurance companies, including us. Although such securities are becoming more accessible in the Korean financial markets, our ability to match the duration of our interest-earning assets and interest-bearing liabilities remains limited. In addition, while investing in interest- earning assets outside of Korea may enhance our ability to match the duration of our assets to their related liabilities, the resulting mismatch in currencies may increase our exposure to changes in exchange rates. See "— *We are subject to investment risk related to our investments in foreign currency denominated securities.*"

The COVID-19 pandemic may adversely affect our business, financial condition and results of operations.

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus, also known as COVID-19, a pandemic citing the surge in the number of confirmed cases of infections and deaths and countries affected by the virus within a short period of time, as well as the prospects of further global spread. As the virus continued its global spread, including in Korea, an increasing number of national, regional, state and municipal governments around the world began declaring states of emergency and instituted a wide range of measures to stem the further spread of the virus, including lockdowns, border closings, travel bans, quarantines, social distancing, school closures, suspension or curtailing of sporting and cultural events and public gatherings, closure of public facilities and private establishments and, in some cases, ceasing of all non-essential activities. Such emergency measures have significantly disrupted global economic activity precipitating in significant volatility in the financial markets.

Risks that we may face from a prolonged outbreak of COVID-19 may include:

- disruption resulting from the necessity for social distancing, including, for example, the ability to conduct in-person marketing activities by us or third party marketing channels, which may lead to a reduction in customer acquisition;

- an increase in defaults on insurance premium and retail loan payments from our customers who may not be able to meet payment obligations, despite our implementation of additional grace periods, which may lead to an increase in delinquency ratios and a deterioration in asset quality, resulting in higher provisioning and reduced insurance premium income;

- impairments in the fair value of our investments in companies that may be adversely affected by the pandemic;

- disruption in the normal operations of our business resulting from the contraction of the disease by our employees or customers, which may necessitate employees to be quarantined and/or offices or branches, such as customer service offices, to be temporarily shut down or run at reduced hours;

- decreases in interest rates worldwide; and

- depreciation of the Korean Won against major foreign currencies, which may increase our costs in servicing foreign currency-denominated debt and result in foreign exchange losses.

It is not possible to predict the duration or the full magnitude of the overall harm that may result from the COVID-19 pandemic. In the event that outbreaks of COVID-19 and its variants cannot be effectively and swiftly contained, our business, financial condition and results of operations may be adversely affected.

We continue to experience a negative spread on certain high guaranteed rate of return products remaining outstanding.

Historically, like other major life insurance companies in Korea, we offered savings insurance policies, fixed annuities and other products with relatively high guaranteed rates of return when prevailing market interest rates were relatively high. As prevailing interest rates have generally declined in recent years, the actual rates of return on HLI's general account investments intended to support its obligations with respect to such products declined below the assumed rates of return we used in pricing such products. The difference between the guaranteed return rates on such products and market interest rates resulted in a negative spread on such products, which has adversely affected our overall profitability. As of 31 December 2018, 2019 and 2020 and 30 September 2021, HLI's premium reserves, calculated in accordance with the guidelines of the FSS, for in-force policies with guaranteed rates of return equal to or in excess of 6.0% per annum represented 27.4%, 26.1%, 25.0% and 24.3%, respectively, of HLI's total general account premium reserves and HLI's average crediting rate as a percentage of total in-force policies, which is calculated as the average cost of period-end reserves, was 4.7%, 4.5%, 4.4% and 4.4% per annum, respectively.

We have made concerted efforts over the years to decrease our exposure to the negative spread on our legacy portfolio of high guaranteed rate of return products, by focusing on new life insurance products that provide returns based on floating interest rates as well as seeking to match, to the extent possible, the duration of HLI's interest-earning general account investment assets to the duration of its interest-bearing policy liabilities. While the aggregate in-force amount of such legacy policies has continued to decrease as a percentage of HLI's total in-force portfolio and the adverse impact on our results of operations from the negative spread on such policies has correspondingly decreased due to such efforts, there can be no assurance that the negative spread on such legacy policies will not have a material adverse impact on our results of operations in the future, especially in the event of further decreases in market interest rates.

Our business and performance are dependent on the effectiveness of our distribution and marketing channels.

Insurance companies, including us, have historically relied on financial planners, who act as agents, as the primary channel for the distribution and marketing of insurance products. Significant competition exists in the Korean insurance industry among insurance companies, as well as independent insurance sales agencies referred to as general agencies, for experienced financial planners with demonstrated ability to successfully sell insurance products. Insurance companies, along with general agencies, compete for financial planners primarily on the basis of reputation, compensation and benefits, product offerings, and training and support services.

As part of our strategy to recruit, train and retain a group of productive financial planners to better market our life and property and casualty insurance products and to own and control the financial planner and general agency value chain, we spun off our financial planner sales team as Hanwha Life Financial Service Co., Ltd., a wholly owned subsidiary, in April 2021. HLFS is the largest general agency in Korea in terms of the number of financial planners as of 30 June 2021, according to the GIAK, and currently has an exclusive arrangement to sell life insurance products offered by HLI only and non-exclusive arrangements to sell property and casualty insurance products from HGI and others. It has yet to be seen whether our strategy of spinning off our financial planner sales team to a dedicated general agency to provide us with a team of financial planners will be successful. If HLFS fails to successfully compete against insurance companies and other general agencies for the services of productive financial planners, our business, financial condition and results of operations could be materially and adversely affected.

In addition, to our dedicated team of financial planners at HLFS, we utilize a multi-channel offline and digital distribution and marketing platform for both our life insurance and our property and casualty insurance operations. In particular, we have entered into bancassurance arrangements with leading commercial banks, securities companies and savings banks in Korea, pursuant to which they market and distribute our life insurance products through their branches. In addition, we have entered into marketing arrangements with other leading general agencies in Korea for the sale of a wide range of our insurance products. As part of our ongoing digital transformation strategy, we are and our dedicated team of financial planners at HLFS are increasingly engaging with our customers through online platforms. If we fail to continue to successfully utilize our bancassurance and general agency channels or successfully implement our digital transformation, our business, financial condition and results of operations could be materially and adversely affected.

We have substantial holdings of debt securities, and fluctuations in their value may adversely affect our performance.

We hold a significant amount of debt securities, including as part of the general account investment portfolio of our life insurance and property and casualty insurance operations. As of 30 September 2021, we had Won 40,132 billion of Won denominated debt securities and Won 15,139 billion of foreign currency denominated securities, consisting primarily of debt securities. The market value of these securities could decline significantly due to various factors, including increases in interest rates or a deterioration in the financial condition of any particular issuer or of the Korean or global economy in general. For example, general increases in market interest rates in Korea in the second half of 2021 had a negative impact on the value of our portfolio of debt securities, which in turn reduced unrealized gains in other comprehensive income within our total equity and resulted in a decrease in our risk-based capital adequacy ratio. See "— *Changes in interest rates may reduce the profitability of our spread businesses and the return on our investments*, *as well as negatively impact our risk-based capital adequacy ratio.*"

Since a significant portion of our debt securities are categorized as available-for-sale financial assets, whose fair values are subject to market value fluctuations on a quarterly basis, any of the above factors individually or in combination could also require us to write down the fair value of these debt securities, resulting in valuation or impairment losses. In addition, a significant deterioration in the value of our debt securities categorized as held-to-maturity financial assets may also result in impairment losses. As a result of adverse global and Korean economic conditions, there has been significant volatility in securities prices in recent years, including the prices of Korean and foreign currency denominated debt securities we hold, which has resulted in and may lead to further valuation or impairment losses on our investment securities portfolio and other general account investment assets. See "*Risk Factors — Risks Relating to Korea — If economic conditions in Korea deteriorate, our current business and future growth could be materially and adversely affected.*"

In addition, in the case of Korean corporate bonds that we hold, the secondary market for such securities is not as liquid as some of the debt securities markets in other countries, and therefore the market value of many of these securities as reflected on our balance sheets is determined by references to suggested prices posted by Korean rating agencies or the Korea Securities Dealers Association. These valuations, however, may differ significantly from the actual value that we could realize in the event we elect to sell these securities. As a result, we may not be able to realize the full "marked-to-market" value reflected on our balance sheets at the time of any such sale of these securities and thus may incur additional losses. Furthermore, the issuers whose debt securities we hold may fail to pay or otherwise default on their obligations due to bankruptcy, a lack of liquidity, a downturn in the economy, operational failures or other reasons. Losses resulting from such defaults could have an adverse impact on our business, financial condition and results of operations and financial condition.

We are subject to investment risk related to our investments in foreign currency denominated securities.

The largest portion of our general account investment portfolio has traditionally consisted of Won denominated securities. However, under our strategic and tactical asset allocation plan, we have invested in foreign currency denominated securities (including foreign-currency denominated bonds, beneficiary certificates and structured securities), which expose us to additional and different risks compared to the investment mix only concentrated on Won denominated securities. As of 30 September 2021, on a separate basis, the portion of foreign currency denominated securities within HLI's general account investment assets was 18.2%.

Investing and trading in foreign currency denominated securities require more specialized investment and risk management expertise, which we may not be able to develop and maintain. Furthermore, the market value of the foreign currency denominated securities in which we decide to invest could decrease significantly due to various factors, including declines in foreign stock markets, increases in global interest rates, a lack of liquidity, a deterioration in the operating performance or financial condition of particular issuers or of the overseas local or global economy in general. Accordingly, our increased investments in foreign currency denominated securities may lead to trading and valuation losses, which could adversely affect our results of operations and financial condition.

Furthermore, we may incur foreign exchange losses on our investments denominated in foreign currencies. Appreciation of the Won reduces the Won value of our foreign currency denominated securities and other general account investment assets denominated in foreign currencies. Although we generally seek to hedge the exchange rate risk arising from our general account investments in foreign currency denominated securities through derivative financial instruments including currency swaps and forwards, our hedging activities relating to our investments denominated in foreign currencies may not be fully effective, and our investment results may be subject to exchange rate risk, as well as other risks and volatility affecting overseas capital markets. Future movements in the exchange rate of the Won against the U.S. dollar and other foreign currencies may result in foreign exchange losses or losses on our foreign currency forward or swap contracts entered into for hedging purposes, which may adversely affect our results of operations and financial condition.

Our profitability may be adversely affected if actual benefits and claims amounts on our in-force insurance policies exceed the amounts that we have reserved, or we increase the amount of reserves due to a change in our underlying assumptions.

We establish and carry, as a liability, policy reserves based on the greater of statutory reserves and actuarial estimates of how much we will need to pay for future benefits and claims on our in-force insurance policies. Our earnings depend significantly upon the extent to which our actual claims results are consistent with the assumptions used in setting the prices for our insurance products and establishing the liabilities in our financial statements for our obligations for future insurance policy benefits and claims. We establish the liabilities for obligations for future life insurance policy benefits and claims based on the expected pay-out of benefits, calculated through the use of assumptions for investment returns, mortality, morbidity, expenses and persistency as well as certain macroeconomic factors such as inflation. These assumptions are based on our previous experience and data from third party industry sources, such as the KLIA, as well as judgments made by our management. These assumptions and estimates may deviate from our actual experience due to various factors that are beyond our control, including as a result of unexpected changes in the scope of coverage by the Korean national health insurance program or unfavourable re-interpretations of our life insurance policy terms by Korean courts or regulators, as well as advancements in health care that result in increased life expectancy and early detection of diseases. In addition, the occurrence of unexpected catastrophic mortality events in Korea, including pandemics, natural or man-made disasters or terrorist attacks, may result in claims that significantly exceed our expectations. As a result, we cannot determine with precision the ultimate amounts that we will pay for, or the timing of payment of, actual benefits and claims or whether the assets supporting the life insurance policy liabilities will grow to the level we assume prior to payment of benefits or claims. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future.

We evaluate the adequacy of our insurance policy liabilities periodically based on changes in the assumptions used to determine our best estimates of claims, expenses, persistency rates and interest rates, as well as based on our actual policy benefits and claims results. To the extent that trends in actual claims results are less favourable than our underlying assumptions used in establishing these liabilities, and our total insurance policy liabilities are considered to be inadequate to meet our future contractual obligations as and when they arise, we could be required to increase our liabilities. We record increases in our life insurance policy liabilities as charges to our income statement in the period in which the liabilities are established or re-evaluated. If actual benefits and claims amounts exceed the amounts that we have reserved, or we increase the amount of insurance policy liabilities due to a change in our underlying assumptions, it could have a material adverse effect on our results of operations and financial condition.

While we utilize reinsurance arrangements to help manage our insurance risks, our reinsurance counterparties may fail to perform, and reinsurance may otherwise not be available, affordable or adequate to protect us against losses.

We utilize reinsurance to mitigate some of our insurance risks with respect to various life and property and casualty insurance products. Reinsurance does not relieve us of our direct liability to our policyholders, even when the reinsurer is liable to us. Accordingly, we bear credit risk with respect to our reinsurers. Our aggregate reinsurance expenses on a consolidated basis amounted to Won

1,422 billion, Won 1,584 billion, Won 1,337 billion and Won 1,112 billion in 2018, 2019, 2020 and the nine months ended 30 September 2021, respectively. Our reinsurers may be unable or unwilling to pay the reinsurance benefit amounts owed to us currently or in the future or on a timely basis. A reinsurer's insolvency or its inability or unwillingness to make payments under the terms of its reinsurance agreement with us could have an adverse effect on our results of operations, financial condition and cash flows.

In addition, reinsurance may not be available, affordable or adequate to protect us against losses. Market conditions outside our control determine the availability and cost of reinsurance protection for new insurance products. Any decrease in the amount of our reinsurance coverage will increase our risk of loss, and any increase in the cost of reinsurance will reduce our profits. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future insurance policies or result in the assumption of more risk with respect to those policies we issue.

We may experience increases in delinquencies in our loan portfolio.

As part of the general account investment activities of our insurance operations, we offer loans, including policy loans, unsecured credit loans and loans secured by real estate and third party guarantees, to qualified retail and institutional borrowers. On a separate basis, our loan portfolio increased from Won 20,590 billion as of 31 December 2018 to Won 21,842 billion as of 30 September 2021, of which Won 20,361 billion were classified as neither past due nor impaired as of 31 December 2018 and Won 21,746 billion were classified as neither past due nor impaired as of 30 September 2021. Future growth in our loan portfolio, as well as changes in economic conditions affecting our borrowers, may lead to increasing delinquencies and a deterioration in asset quality, which would require us to increase our loan loss provisions and charge-offs and would adversely affect our results of operations and financial condition.

Decreases in the value of our variable insurance investment assets could adversely affect our business and performance.

We offer variable life insurance products that generally provide a return linked to an underlying investment portfolio designed by the policyholder while also providing a guaranteed minimum protection benefit and/or a guaranteed minimum accumulation benefit, predetermined by the contract, in return for periodic payment of fixed premiums over a predetermined period. We pool premiums paid by our variable insurance policyholders and purchase interests in investment funds among which our policyholders are able to allocate and adjust their investment portfolio and distribute the returns from such investment portfolio to the beneficiaries upon the death of the insured person or to the policyholder upon the maturity of the contract or the predetermined accumulation date. We earn fee income based upon the estimated fair value of the assets under management.

Downturns and volatility in the Korean or global financial markets can have a material adverse effect on the revenues from and investment returns on our variable insurance products. Because these products generate fees that are linked primarily to the value of the assets under management, a decline in financial markets could reduce our revenues due to the reduction in the value of the investments we manage, and sustained weakness in the Korean or global financial markets could decrease the returns earned by our policyholders on those products. In addition, to the extent the investments we manage in our variable insurance business are denominated in currencies other than the Won, our revenues and our policyholders' investment returns from such business may fluctuate based on exchange rate movements. If the investment returns on our variable insurance products deteriorate due to sustained weaknesses in the Korean or global financial markets or adverse exchange rate movements, surrenders and withdrawals of such products may increase as policyholders seek to invest in alternative products with perceived higher returns, which could adversely affect our business and performance.

In addition, our variable insurance products generally offer limited guaranteed benefits which increase our potential benefit exposure should financial markets decline. We collect premiums and establish reserves for the provision of such limited guaranteed benefits to mitigate the impact of such increased potential benefit exposures from our variable insurance products. However, periods of significant and sustained downturns in the Korean or global financial markets or increased market volatility could result in an increase in the amount of reserves we are required to establish with respect to such products.

We may incur losses if our risk management policies and procedures prove to be ineffective.

We have devoted significant resources to develop and enhance our risk management policies and procedures and expect to continue to do so in the future. We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems, including hedging our exposure to various risks. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. Many of our methods of managing risk and exposures are based on historical patterns and correlations that may limit the effectiveness of such methods in times of significant market stress or other unforeseen circumstances. Accordingly, we may not be able to predict future risk exposures that could be significantly greater, or of a different nature, than our historical risk exposure. Other risk management methods depend on the evaluation of information regarding markets, claims, counterparties, catastrophe occurrence or other matters that is publicly available or otherwise accessible to us, which may not always be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

The quantitative tools that we use to assess and control our risk exposures reflect assumptions about the degrees of correlation or lack thereof among prices of various asset classes or other market indicators, and in times of market stress or other unforeseen circumstances, previously uncorrelated indicators may become correlated, or conversely previously correlated indicators may move in different directions. These types of market movements could limit the effectiveness of our hedging and other risk management strategies and cause us to incur losses or suffer from liquidity impairment. An increase in volatility would increase our measured risk, which might cause us to reduce our proprietary positions or to reduce certain of our business activities. In such circumstances, we may not be able to reduce our positions or our exposure in a timely, cost-effective way or in a manner sufficient to offset the increase in measured risk. Furthermore, our 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 us to deal with such market conditions. In such circumstances, it may be difficult for us to reduce our risk exposures due to the activity of such other market participants. If our risk management policies and procedures are ineffective in managing our various risks and exposures in the context of a continuously changing operating environment, we may incur losses, and our business, results of operations and financial condition could be materially and adversely affected.

Derivative transactions may expose us to unexpected risk and potential losses.

We engage in derivative transactions for the purpose of hedging our exposures to exchange rate risk as part of our risk management activities. Derivative transactions expose us to the credit risk of transaction counterparties. Although the counterparties to our derivative contracts typically have credit rating of AA- or higher, derivative transactions entered into with third parties are not always confirmed by the counterparties on a timely basis. While the transaction remains unconfirmed, we are subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce the contract.

We may incur losses due to fraud and other misconduct by customers and third parties.

We are exposed to the risk of fraud and other misconduct by customers and third parties, including insurance policy fraud (where fraudulent misstatements or omissions of fact are made in applications for insurance products by customers), insurance claims fraud (where fraudulent misstatements or omissions of fact are made in an effort to make or exaggerate claims under existing policies) and the intentional staging of accidents or other covered events in an effort to collect insurance payments, as well as the fraudulent execution of insurance contracts by our financial planners or individual or general agency personnel to collect sales commissions. The incidence of both life insurance fraud and property and casualty insurance fraud in Korea has been increasing in recent years according to the FSS. The most common types of fraud by customers include fraudulent medical expense claims involving unnecessary hospitalizations and the intentional staging of accidents or other covered events in an effort to collect insurance payments, as well as the fraudulent execution of insurance contracts by financial planners or individual or general agency personnel to collect sales commissions. See also "— *Employee and agent misconduct is difficult to deter and could harm our business and performance.*" Although we employ detection and prevention measures to help monitor and prevent fraud and other misconduct, these processes may be inadequate or otherwise ineffective. Moreover, training and retaining qualified underwriters who can competently evaluate and screen potential customers, as well as underwrite policies in a manner that effectively protects us against fraudulent activity, requires substantial costs and resources. Although we have systems and processes in place to detect and prevent fraud, we cannot guarantee that fraud and other misconduct by customers, counterparties and other third parties will not occur or that such occurrences will not result in material losses.

Security breaches in our information technology and operational systems, or those of third parties, could disrupt our business, result in losses and damage our reputation.

Our operations rely on the secure processing, storage and transmission of personal, confidential and other information in our information technology and operational systems. Although we take protective measures and endeavour to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to disruptions, unauthorized access, hacking, denial-of-service attacks, computer viruses, ransomware or other malicious programs and other events that could have a security impact. If such events occur, this potentially could jeopardize confidential information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our customers', our counterparties' or third parties' operations, which could result in significant losses or reputational damage. We may be required to expend significant additional resources to modify our protective measures or to investigate and remedy vulnerabilities or other exposures, and we may be subject to criminal and regulatory penalties, litigation and financial losses. Past incidents of mishandling personal data by financial institutions in Korea have led to heightened standards of regulatory scrutiny in Korea relating to personal data protection, which in turn has resulted in an increase in compliance costs.

In addition, we routinely transmit and receive personal, confidential and proprietary information through the internet and mobile networks and through other electronic means. An interception or mishandling of personal, confidential or proprietary information being sent to or received from a client or counterparty could result in legal liability, regulatory action and reputational harm. We are exposed to similar risks arising from the interception of personal, confidential or proprietary information sent to or received from, or the misuse or mishandling of personal, confidential or proprietary information by, financial planners, vendors, service providers and other third parties who may receive such information from us, and our efforts to ensure that these third parties have appropriate controls in place may not be successful.

The growth of digital platforms and the introduction of new technologies may result in increased competition and adversely affect our business.

The growth of digital platforms and changes in customer behaviour and expectations are changing our businesses and presenting us with new competitive challenges. In light of these trends, we have made significant investments in our digital platform by establishing "Onsure" our online and mobile app sales channels, while using article intelligence and big data to analyse and calculate insurance premiums. We have also tailored certain of our insurance products to meet the younger generation preference for subscription type insurance products where policy holders receive regular curated benefits.

We expect that the trend toward growth of digital platforms and channels will continue, especially due to the social distancing measures implemented during the COVID-19 pandemic. However, there is no assurance that our investments in our digital platform and use of new technologies will yield an adequate return on our investments. Our competitors may be more effective in executing their digital strategies, including introducing digitally tailored services and products, can us. If we are unable to successfully execute our digital transformation, our business, financial condition and results of operations may be materially and adversely effected.

We may become subject to legal claims and regulatory actions which, if significant, could harm our business, performance and reputation.

We and our employees are subject to the risk of legal claims and regulatory actions in the ordinary course of our business, which may expose us to monetary damages and legal costs, injunctive relief, criminal and civil penalties, sanctions against our management and employees and regulatory restrictions on our operations, as well as reputational harm. Such claims and regulatory actions may be rooted in any of our insurance, investing, securities brokerage, investment banking, derivatives sales and trading and other operations. See "*Business — Legal and Regulatory Proceedings*."

The majority of our legal disputes arise out of claims by our customers alleging that financial planners and other sales agents insufficiently explained our insurance or investment products at the time of sale, insurance settlement claims by our customers, commission-related claims by our financial planners and other agents, and claims of fraud or other misconduct by our agents and employees. We have incurred, and expect to incur in the future, costs or losses relating to such legal disputes with our customers. We cannot provide any assurance that such legal disputes will not have a material adverse effect on our business or cause significant reputational harm. In addition, our operations are heavily regulated and supervised by the Government. See "*Regulation and Supervision*." Non-compliance with any of these laws or regulations could result in sanction, which can include institutional warnings and suspension or revocation of any license or registration at issue, as well as the imposition of civil fines and criminal penalties.

We are unable to predict the outcome of the pending legal claims and regulatory actions in which we and our employees are 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 us. 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 our business, reputation, financial condition and results of operations.

The occurrence of natural and other disasters may result in substantial claims under property and casualty insurance policy issued by HGI.

From time to time, Korea is subject to typhoons, earthquakes, floods, landslides, hailstorms and other types of natural disasters, the frequency and severity of which are inherently unpredictable. Natural disasters, which may be further exacerbated by the effects of global warming, as well as other disasters such as fires, explosions and industrial or other accidents in Korea can cause a significant impact on the business, financial condition and results of operations of HGI depending on their frequency, their nature and scope, the amount of property and casualty insurance coverage written in respect of them, the amount of claims for losses, the timing of such claims and the extent to which its liability is covered by reinsurance. Along with others in the property and casualty insurance industry, HGI uses models which assume various conditions and probability scenarios in assessing its exposure to catastrophic losses. However, such models are inherently subject to uncertainties and do not necessarily accurately predict future losses. The occurrence of a natural or other type of disaster, or a series of such disasters, the severity, frequency or nature of which HGI did not predict, or for which it did not adequately reserve or was not adequately reinsured, may result in substantial claims under its property and casualty insurance policies, which could have a material adverse impact on our business, financial condition and results of operations.

Work stoppages and other labour-related issues may adversely affect our operations.

Our performance depends to a large extent on favourable labour relations with our employees. As of 30 September 2021, less than half of eligible employees were members of our labour union, and our relationship with these and other employees is generally governed by a collective bargaining agreement. We negotiate a collective bargaining agreement every two years and annually negotiate a wage agreement. Our current collective bargaining agreement is scheduled to expire in June 2022. There can be no assurance that new collective bargaining and wage agreements will be negotiated, or consultations will take place without discord with our labour unions or on terms satisfactory to us. If we are unable to negotiate successfully with our labour unions, we may become subject to union-initiated work stoppages, including strikes.

From time to time we may also become subject to demands, claims or legal actions brought by our employees or our labour unions acting on their behalf or those of our subsidiaries. Any significant increase in labour and labour-related legal costs, deterioration of employee relations, slowdowns or work stoppages affecting us or our subsidiaries, as well as our failure to attract and retain qualified employees, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our business, reputation, results of operations and financial condition.

We may be exposed to potential claims for unpaid wages and become subject to additional labour costs arising from the Supreme Court of Korea's interpretation of ordinary wages.

Under the Labor Standards Act, an employee's "ordinary wage" is used as the basis for calculating various statutory benefits. Prior to the Supreme Court of Korea's decision described below, we and other companies in Korea had interpreted the previous guidelines issued by the Ministry of Employment and Labor as excluding fixed bonuses that are paid other than on a monthly basis, such as bi monthly, quarterly or biannually paid bonuses, from employees' ordinary wages.

In December 2013, the Supreme Court of Korea ruled that regularly paid bonuses, including those that are paid other than on a monthly basis, are included in the scope of employees' ordinary wages if these bonuses are paid (i) "regularly," (ii) "uniformly" and (iii) on a "fixed basis," notwithstanding differential amounts based on seniority. Under this decision, any provision of a collective bargaining agreement or other agreements that attempt to exclude such regular bonuses from employees' ordinary wages will be deemed void for violation of the mandatory provisions of Korean law.

The Supreme Court of Korea's decision clarified that if payment of a regular bonus is limited only to those working for the employer on a specific date, such bonus is not fixed and thus does not constitute part of an employee's ordinary wage. The Ministry of Employment and Labor subsequently published guidelines in January 2014 (the "Guidelines"). According to the Guidelines, the Government excludes, from ordinary wages, regular bonuses contingent on employment on a specific date. Based on the Supreme Court of Korea's decision and the Guidelines, we believe that regular bonuses we have paid to our employees are likely not required to be included in their ordinary wages because we have paid regular bonuses only to those working for us on the date of payment calculation, and hence, the foregoing bonus is only contingent on employment on a specific date and does not constitute part of an employee's ordinary wage. However, if it is nonetheless determined that there was a "fixed" contingency, we may be found to have underpaid employees by under-calculating their ordinary wages in the past, and we may be liable for additional payments reflecting the expanded scope of employees' ordinary wages in the future. See "*Business — Legal and Regulatory Proceedings.*" Any such additional payments may have an adverse effect on our financial condition and results of operations.

Employee and agent misconduct are difficult to deter and could harm our business and performance.

Misconduct by our employees, HLFS financial planners and other agents could result in violations of law by us, regulatory sanctions or legal claims against us and reputational or financial harm to us. Misconduct could include:

- engaging in misrepresentation or fraudulent activities when marketing or selling life insurance or investment products to customers;
- defective sales of life insurance or investment products due to failure to adequately explain product information and related risks to customers, including omission of information deemed material to making a purchasing decision;
- encouraging or advising customers to omit or misrepresent material information or developments, which could undermine our insurance underwriting procedures and practices;
- hiding unauthorized activities, resulting in unknown and unmanaged risks or losses; or
- otherwise not complying with applicable laws, regulatory guidance or policies, or our internal policies or procedures.

While we closely monitor our employees' and agents' activities to detect any such unauthorized activities, we cannot always deter employee or agent misconduct, and the precautions we take to prevent and detect these activities may not be effective in all cases. We have experienced employee and agent misconduct that has resulted in internal disciplinary action against, or termination of, the employees or agents (including financial planners) in question. We cannot assure you that employee or agent misconduct or our failure to detect and address such misconduct will not harm our reputation or lead to a material adverse effect on our business, results of operations and financial condition.

Our business may be harmed if we are unable to hire and retain qualified personnel.

The success of our business is dependent to a large extent on our ability to attract and retain key personnel who have in-depth knowledge and understanding of the life insurance and/or securities markets in Korea, including members of our senior management, qualified insurance underwriting personnel, actuaries, information technology specialists, mobile app programmers and engineers and experienced investment managers. We compete to attract and retain these key personnel with other insurance companies and financial institutions, some of which may offer better compensation or benefit arrangements. As the insurance and investment management industries continue to evolve, including increasing demand for digital services, and we become subject to increasingly complex regulatory requirements (such as K-ICS) and accounting standards (such as K-IFRS 1117), we expect that competition for these personnel will increase in the future. Accordingly, we cannot guarantee that we will be able to attract and retain qualified key personnel. If we were unable to continue to attract and retain key personnel, our business and performance could be materially and adversely affected.

Risks Relating to Government Regulation and Policy

The life insurance and property and casualty insurance businesses are subject to extensive and pervasive regulation and changes in regulation may reduce our profitability.

Our operations are subject to the Korean Commercial Code and its regulations. Our life and property and casualty insurance businesses are further regulated by the Insurance Business Act and its regulations, including the Regulation on Supervision of Insurance Business, while our asset management business is subject to the Financial Investment Services and Capital Markets Act and its regulations, in addition to the Insurance Business Act and its regulations. We are regulated and supervised principally by the FSC and its administrative body, the FSS, and face the risk of significant intervention by regulatory authorities. New laws or regulations or changes in enforcement of existing laws or regulations applicable to our operations or those of our agents may also adversely affect our business. Regulatory changes could lead to business disruptions, increased competition, could require us to change certain of our business practices and could expose us to additional costs and liabilities as well as reputational harm.

For example, in March 2021, the Financial Consumer Protection Act, which consolidated existing regulations relating to the sale of financial products and consumer protection stipulated in other laws governing the financial sector, including the Insurance Business Act, became effective. Under the Financial Consumer Protection Act, consumers 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, including insurance policies. 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 Financial Consumer Protection Act and other measures that may be implemented by the Government to strengthen consumer protection laws applicable to financial institutions may limit our operational flexibility and cause us to incur significant additional compliance costs, as well as subject us to increased potential liability to its customers, which could adversely affect our business and performance.

Our operations are also subject to the risk of tax rules and regulations that may adversely affect the tax treatment of insurance premiums or benefits for policyholders, which can lead to a decrease in sales of the affected insurance products, as well as an increase in the level of surrenders and withdrawals. Our business and results of operations could be materially and adversely affected by these and similar new developments in applicable tax laws and regulations. For a discussion of the principal areas of regulation to which our businesses are subject, see "*Regulation and Supervision*."

The FSS also conducts general examination of insurance companies on an as-needed basis to determine whether there are any violations of applicable laws, consumer protection issues or regulatory concerns. In addition to conducting audits, the FSS and other regulatory bodies, including the National Tax Service, have the authority to review our products, transactions and business practices and those of our agents and employees and to bring regulatory actions against us if, in their view, our practices, or those of our agents or employees, are improper. These actions can result in substantial fines, penalties, sanctions or prohibitions or restrictions on our business activities or provision of additional reserves, any of which could have a material adverse effect on our business, reputation, results of operations and financial condition. The Korean life and property and casualty insurance and the asset management industries may receive increasing scrutiny from regulators, and the regulators may become more likely to take enforcement actions in the future.

The FSC may impose burdensome measures on us if it deems us to be financially unsound.

If the FSC deems our financial condition to be unsound, or if we fail to meet applicable regulatory standards such as the risk-based capital adequacy requirements, the FSC may order, among other things:

- capital increases or reductions;
- stock cancelations or consolidations;
- transfers of businesses;
- sales of assets;
- ban on acquisition of high-risk assets;
- closures or downsizing of branch offices;
- mergers with other financial institutions;
- restrictions on distribution of dividends; and
- suspensions of a part or all of our business operations.

If any of these measures are imposed on us by the FSC, they could hurt our business, results of operations and financial condition. In addition, if the FSC orders us to partially or completely reduce our capital, you may lose part or all of your investment.

Our transactions with our subsidiaries and affiliates may be restricted under Korean fair-trade regulations.

Our business relationships and transactions with our subsidiaries and affiliates are subject to ongoing scrutiny by the Korea Fair Trade Commission as to, among other things, whether such relationships and transactions constitute undue financial support among companies of the same business group. We engage in various transactions with our subsidiaries and affiliates. In addition, our material business transactions with our subsidiaries and affiliates are subject to approval by our Board of Directors pursuant to the Korean Commercial Code and the Monopoly Regulation and Fair Trade Act and are subject to public disclosure requirements under the Monopoly Regulation and Fair Trade Act. Any future determinations by the Korea Fair Trade Commission that we have engaged in transactions that violate the fair trade laws and regulations may result in fines or other punitive measures and may have a material adverse effect on our reputation and business.

Our transactions with related parties are subject to close scrutiny by the Korean tax authorities.

Under Korean tax law, there is an inherent risk that our transactions with our subsidiaries, affiliates or any other person or company that is related to us may be challenged by the Korean tax authorities if such transactions are viewed as having been made on terms that were not on an arm's-length basis. If the Korean tax authorities determine that any of our transactions with related parties were not on an arm's-length basis, we would not be permitted to deduct the amount equivalent to such undue financial support as expenses, which may have adverse tax consequences for us.

Risks Relating to Korea

If economic conditions in Korea deteriorate, our current business and future growth could be materially and adversely affected.

We are incorporated in Korea and substantially all of our operations are conducted in Korea. As a result, we are subject to economic, political, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs of deterioration and uncertain recovery, primarily due to the social and economic disruption caused by the COVID-19 pandemic, and the outlook of the Korean economy is subject to many factors beyond our control, including developments in the global economy. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

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

- declines in consumer confidence and a slowdown in consumer spending in the Korean or global economy;
- adverse conditions in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, including as a result of economic and trade tensions between the United States and China and the effects of the United Kingdom's exit from the European Union;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the Euro or the Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates, inflation rates or stock markets;
- 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;
- increased sovereign default risk in select countries and the resulting adverse effects on the global financial markets;
- investigations of large Korean business groups and their senior management for possible misconduct;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea;

- shortages of imported raw materials, natural resources, rare earth minerals or component parts due to disruptions to the global supply chain;

- social and labour unrest;

- substantial decreases in the market prices of Korean real estate;

- the economic impact of any pending or future free trade agreements or changes in existing free trade agreements;

- a decrease in tax revenue and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased Government budget deficit;

- financial problems or lack of progress in the restructuring of Korean business groups, 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 Korean companies;

- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;

- geo-political uncertainty and the risk of further attacks by terrorist groups around the world;

- the occurrence of severe health epidemics in Korea or other parts of the world in addition to the ongoing COVID-19 pandemic;

- 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, such as in the Middle East, North Africa and Russia, and any material disruption in the global supply of oil or sudden increase in the price of oil; and

- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

Escalations in tensions with North Korea could have an adverse effect on us and the market price of the Securities.

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 over the years stemming from North Korea's nuclear weapons and ballistic missile programs as well as its hostile military actions against Korea. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty and has conducted several 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. In addition, 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 addition, the United Nations, the United States and European Union have expanded the scope of sanctions applicable to North Korea.

Further tensions in North Korean relations could develop due to a leadership crisis, breakdown in high-level inter-Korea contacts or military hostilities. North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea. Alternatively, tensions may be resolved through reconciliatory efforts, which may include peace talks, alleviation of sanctions or reunification. There can be no assurance that a final resolution on North Korea's nuclear weapons and ballistic missile programs will be reached or that the level of tensions between Korea and North Korea will not escalate. Any further increase in tensions could have a material adverse effect on the Korean economy and our business, financial condition and results of operations.

There are special risks involved with investing in securities of Korean companies, including the possibility of restrictions being imposed by the Government in emergency circumstances as well as accounting and corporate disclosure standards that differ from those in other jurisdictions.

As a Korean company, we operate in a business and cultural environment that is different from that of other countries. Accordingly, there are risks associated with investing in the Securities that are not typical for investments in securities of companies in other countries.

Under the Foreign Exchange Transaction Act of Korea and the Presidential Decree and regulations thereunder (collectively referred to as the "**Foreign Exchange Transaction Laws**"), if the Government determines that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the Minister of Economy and Finance for the acquisition of Korean securities or for the repatriation of interest, dividends or sales proceeds arising from Korean securities or from disposition of such securities or other transactions involving foreign exchange. Moreover, if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden changes in domestic or foreign economic circumstances or similar events or circumstances, the Minister of Economy and Finance may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit or sell any means of payment to the Bank of Korea or certain other governmental agencies or financial institutions.

In addition, we prepare and present our financial statements in accordance with K-IFRS, which differ in many material respects from accounting principles applicable to companies in certain other countries. We also make regulatory filings and disclosures regarding other aspects of our business in accordance with applicable rules and regulations and accepted practice in Korea. These filing and disclosure rules and practices differ in many material respects from those applicable to companies in certain other countries. There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public or non-public companies in other countries. In making an investment decision, investors must rely upon their own examination of our company, the terms of the Securities and the financial and other information contained in this offering circular.

We are incorporated in Korea, and it may be more difficult to enforce judgments of U.S. courts.

We are a corporation with limited liability organized under the laws of Korea. Most of our directors, executive officers and certain other persons named in this offering circular are non-U.S. residents, and all or a significant portion of the assets of our directors, executive officers and certain other persons named in this offering circular and most of our assets are located or registered outside the United States. As a result, when compared to a U.S. company, it may be more difficult for investors to effect service of process in the United States upon us or to enforce against us, our directors or executive officers, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal or state securities laws of the U.S. or similar judgments obtained in other courts outside Korea. There is doubt as to the enforceability in Korean courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal and state securities laws of the United States.

Risks Relating to the Securities

The Securities may not be a suitable investment for all investors.

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained in this offering circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for principal or interest payments is denominated in a currency different from that of the potential investor;
- understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex investment securities. Sophisticated institutional investors generally do not purchase complex investment securities as stand-alone investments. They purchase complex investment securities as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

The Securities are subordinated obligations.

The Securities will constitute unsecured and subordinated obligations of the Issuer. Upon the occurrence and during the continuation of a Subordination Event (as defined in "*Terms and*

Conditions"), the rights of a Securityholder (as defined in "*Terms and Conditions*") to receive payments in respect of the Securities will rank senior to claims in respect of all Junior Obligations (as defined in "*Terms and Conditions*") but junior to the claims in respect of all Senior Obligations (as defined in "*Terms and Conditions*"). Accordingly, upon the occurrence of a Subordination Event, a Securityholder may not receive a full return of the principal amount of the Securities it holds and may lose a part or all of its investment.

The remedies that are available to holders in the event of a non-payment of the Securities are limited.

The remedies available to holders in the event of non-payment of principal or interest on the Securities will be limited. Specifically, if the Issuer fails to make payments, including interest or principal payments, in respect of the Securities for a period of ten days or more after the due date for such payment, Securityholders holding 10% or more of the aggregate principal amount of the outstanding Securities may, subject to satisfaction of the relevant requirements of applicable law, institute proceedings for the Winding-Up (as defined in "*Terms and Conditions*") of the Issuer and/or prove in the Winding-Up of the Issuer and/or submit a claim in the liquidation of the Issuer for the principal amount of the Securities plus any accrued but unpaid interest. See "— *The Securities are subordinated obligations*." Under the Debtor Rehabilitation and Bankruptcy Act of Korea, any creditor of a company may file a petition with the court for bankruptcy of the company proving that the total amount of liabilities of the company exceeds the total amount of its assets or the company is otherwise insolvent.

Holders have no right to call for redemption of the Securities.

Holders have no right to call for the redemption of the Securities. Although the Issuer may redeem the Securities at its option on the Interest Reset Date, on each Interest Payment Date thereafter or upon the occurrence of a Gross-Up Event, Regulatory Event, or Tax Deductibility Event, such redemption is subject to limitations, including a requirement to obtain the prior approval of the FSS and the satisfaction of certain minimum solvency margin ratio thresholds, as described under "*Terms and Conditions — Redemption and Purchase*."

The Issuer may redeem the Securities under certain circumstances.

As described above, the Securities may be redeemed at the Issuer's option (in whole but not in part) on the Interest Reset Date and on each Interest Payment Date thereafter, in each case subject to the satisfaction of certain regulatory conditions. The Securities may also be redeemed at the Issuer's option (in whole but not in part) upon the occurrence of a Gross-Up Event, Regulatory Event or Tax Deductibility Event, in each case subject to the satisfaction of certain regulatory conditions.

The relevant redemption amount paid to holders may be less than the then-current market value of the Securities. In addition, the date on which the Issuer elects to redeem the Securities may not accord with the preference of holders of Securities. This may be disadvantageous to holders in light of market conditions or the individual circumstances of the holders. In addition, a holder may not be able to reinvest the redemption proceeds in comparable securities at an effective interest rate at the same level as that of the Securities.

There is no limitation on issuing senior or pari passu securities.

There is no restriction on the amount of securities, guarantees or other liabilities which the Issuer may issue or incur and which rank *pari passu* with the Securities and, under very limited circumstances under the Insurance Business Act, securities which rank senior to the Securities. The issuance of any such securities or the incurrence of any such other liabilities by the Issuer may reduce the amount (if any) recoverable by holders of Securities on a Subordination Event of the Issuer. The issuance of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the market price of the Securities and the ability of holders to sell their Securities.

The ratings assigned to the Securities may be lowered or withdrawn in the future.

The Securities are expected to be rated "Baa1" by Moody's and "A-" by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure investors that a rating assigned to the Securities will remain for any given period of time or that a rating assigned to the Securities will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of Securities of any such revision, suspension or withdrawal. A revision, suspension, or withdrawal at any time of a rating assigned to the Securities may adversely affect the market price of the Securities.

The liquidity and market price of the Securities may be volatile.

The market price and trading volume of the Securities may be highly volatile. Factors such as changes in our revenues, earnings and cash flows, proposals for new investments, strategic alliances or acquisitions or dispositions, fluctuations in interest rates or in the market price of securities of comparable companies, government regulations and changes thereof applicable to the industries in which we operate, and general economic conditions could cause the market price or trading volume of the Securities to change suddenly and dramatically. There is no assurance that such developments will not occur in the future.

An active trading market for the Securities may not develop.

The Securities are a new issue of securities for which there is currently no trading market. No assurance can be given that an active trading market for the Securities will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Securities or the price at which holders will be able to sell their Securities. The Initial Purchasers are not obliged to make a market in the Securities and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers.

The Securities, which are being issued as Sustainability Bonds, may not be a suitable investment for all investors seeking exposure to sustainable assets.

The Securities are being issued as "Sustainability Bonds" in accordance with our Sustainability Bond Framework, which was prepared in accordance with the four core components of the 2021 International Capital Market Association's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines (the "**2021 ICMA Guidelines**"). We received the Second Party Opinion in 19 October 2021 regarding the alignment of the Sustainability Bond Framework with the 2021 ICMA Guidelines. Investors should refer to "*Sustainability Bond Framework*" of this offering circular for information regarding the Sustainability Bond Framework and the Second Party Opinion, the full versions of which are publicly available on our website and are not incorporated into, or form part of, this offering circular.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "sustainable," and therefore no assurance can be provided to potential investors that Eligible Projects will continue to meet the relevant eligibility criteria. Although applicable sustainability projects are expected to be selected in accordance with the categories recognised by the

2021 ICMA Guidelines and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse social and/or environmental will not occur during the design, construction, commissioning and/or operation of any such sustainability projects. In addition, where any negative impacts are insufficiently mitigated, sustainability projects may become controversial, and/or may be criticised by activist groups or other stakeholders.

The Second Party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Securities. The Second Party Opinion is not a recommendation to buy, sell or hold the Securities and is only current as of the date that the Second Party Opinion was initially issued, and may be updated, suspended or withdrawn at any time. Currently, the providers of second party opinions and certifications are not subject to any regulatory regime or oversight. In addition, although we have agreed to certain reporting and use of proceeds obligations in connection with certain criteria, our failure to comply with such obligations does not constitute a breach or an event of default under the Securities. A withdrawal of the Second Party Opinion or any failure by us to use the proceeds of the Securities on Eligible Projects or to meet or continue to meet the investment requirements of certain environmentally-focused investors with respect to the Securities may have an adverse effect the value of the Securities and/or may have adverse consequences for certain investors with portfolio mandates to invest in sustainable assets.

No assurance can be provided with respect to the suitability or reliability of the Second Party Opinion or that the Securities will fulfil the criteria to qualify as Sustainability Bonds. The underwriters have not undertaken, nor are responsible for, any assessment of the eligibility of Eligible Projects, or the monitoring of the use of proceeds from the offering of the Securities. Each potential purchaser of Sustainable Bonds should determine for itself the relevance of the information contained in this offering circular regarding the use of proceeds and its purchase of Securities should be based upon such investigation as it deems necessary.

Risks Relating to Forward-Looking Statements

This offering circular contains forward-looking statements that are our management's present expectations of future events and are subject to certain factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

In addition to the risks related to our business discussed above, other factors could cause actual results to differ materially from those described in the various forward-looking statements contained in this offering circular. These factors include, but are not limited to, the following:

- general economic, business and political conditions;
- adverse trends in regulatory, legislative and judicial developments;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- changes in interest rates;
- our leverage and our ability to meet our debt obligations;
- declines in consumer confidence;

- changes in competitive conditions in the Korean life and property and casualty insurance and asset management industries; and

- conditions in the financial markets.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically, but without limitation, revenues could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance may not be fully realized.

We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this offering circular. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

USE OF PROCEEDS

The net proceeds from the Offering are expected to be approximately US$746,525,000 (net of underwriting discounts and commissions but prior to deducting other offering expenses).

The Securities are being issued as "Sustainability Bonds" in accordance with our Sustainability Bond Framework. Accordingly, an amount equal to the net proceeds of the Securities will be used to finance or refinance new or existing Eligible Projects in accordance with our Sustainability Bond Framework. See "*Sustainability Bond Framework.*"

SUSTAINABILITY BOND FRAMEWORK

The following are summaries of our Sustainability Bond Framework and the related Second Party Opinion issued by DNV Business Assurance Korea Ltd. dated 19 October 2021. The Sustainability Bond Framework and the Second Party Opinion, the full versions of which are available on our website, are not incorporated into, and do not form a part of, this offering circular.

Our Sustainability Bond Framework has been prepared in accordance with the four core components of the 2021 Social Bond Principles, Green Bond Principles and Sustainability Bond Guidelines published by the International Capital Market Association, which are (i) use of proceeds, (ii) process for project evaluation and selection, (iii) management of proceeds and (iv) reporting.

Use of Proceeds

An amount equal to the net proceeds of the Green Bonds, Social Bonds or Sustainability Bonds will be used to finance or refinance new or existing Eligible Green Projects, Eligible Social Projects or Eligible Sustainability Projects ("**Eligible Projects**"), with existing Eligible Projects will be projects that have had funds disbursed during the past 24 months preceding the issue date of such bonds. The following is a description of, as well as examples of projects in, each of the eligible categories as set forth in our Sustainability Bond Framework.

Eligible Green Project Category

- Renewable Energy: Investments related to the generation, storage, distribution and sale of renewable energy, such as solar, wind energy and biomass energy from waste biomass.

- Energy Efficiency: Development, construction, acquisition, installation, operation and upgrades of projects that reduce energy consumption or improve the efficiency of resources, including energy efficient electric and LED lighting projects.

  - LED dimming control system.

  - Replacing lights with LED lighting in company buildings.

  - Installing LED lighting inside newly-built company buildings.

- Sustainable Water and Waste Water Management: Investments related to water and wastewater infrastructure, such as sustainable infrastructure for clean/drinking fresh water, wastewater treatment, and sewer maintenance that meet the local CO_2 emission regulations.

- Pollution Prevention and Control: Investments related to reducing greenhouse gas emissions and harmful particles, such as air purification units, waste-to-energy (complying with environmental regulations, including but not limited to regulations on air pollution).

- Green Buildings: Investments related to development or construction of buildings that have or will receive, any of one of the following certification systems:

  - U.S. Leadership in Energy and Environmental Design (LEED) — minimum certification of Gold;

  - BREEAM — minimum certification level of Excellent;

    - G-SEED — minimum Level Green 2 or above (Green 1); or

    - any other green building label, that has broadly equivalent standard of the above.

- Clean Transportation: Investments related to vehicles and infrastructure that promote eco-friendly commuting, such as electrified rail that facilitates the movement of passengers and/or non-fossil fuel freight including light rail investment projects, smart rail, double-track railway, electric or hybrid cars (complying with a low carbon trajectory of < 50g CO_2/pkm), and bicycles.

Eligible Social Project Category

- Access to Essential Services: Investments related to construction and operation of facilities for public education and public hospitals; community services to the marginalized class.

- Affordable Housing: Investments related to affordable housing rental or construction projects run by government backed institutions.

- Socioeconomic Advancement and Empowerment: Investments related to supporting residential stability and financial independence of young adults for their successful adaptation to the society and nurturing of start-ups and their overseas expansions to contribute to creating an innovation ecosystem for the future.

- Accessibility to Affordable and Quality: Basic Infrastructure: Investments related to construction and operation of basic infrastructure such as fiber network to improve the accessibility and the efficiency of the basic infrastructure.

Eligible Sustainability Project Category

- Projects in Eligible Sustainability Project Category consist of any combination of projects in Eligible Green Project Category and Social Project Category.

The description and examples of projects in each of the eligible categories are for illustrative purposes only and subject to change, and no assurance can be provided that allocation for projects with these specific characteristics will be made by the Issuer during the term of the Securities. See "*Risk Factors — Risks Relating to the Securities — The Securities, which are being issued as Sustainability Bonds, may not be a suitable investment for all investors seeking exposure to sustainable assets*."

Process for Project Evaluation and Selection

Our Investment Business Division, which includes the Investment Business Team and the Investment Analysis, will be responsible for the project evaluation and selection process to ensure that the net proceeds from issuances of Green, Social, or Sustainability Bonds are allocated to projects and assets that meet the eligibility criteria as described above. Our Investment Business Division will follow the guidelines for ESG-complying investment created by the Investment Committee, which is chaired by a leader or part leader who reports to our Chief Investment Officer. The guidelines include both financial and non-financial factors as part of the investment decision process. Any project that does not comply with the guidelines will not be selected for the separately managed portfolio. Our Investment Business Division will manage the net proceeds from each issuance separately from our broader investment portfolio. The Investment Committee will regularly, at least on an annual basis, review the allocation made by the Investment Business Division.

Management of Proceeds

We plan to earmark the amount equal to the net proceeds from each issuance separately from the broader investment portfolio and keep track of its allocation to the Eligible Projects. Pending full allocation to Eligible Projects, we will hold the balance of net proceeds not yet allocated invested in cash, cash equivalents, other investments or refinance existing foreign currency debt obligations.

Annually, until full allocation of the proceeds, and on a timely basis in case of material developments, we will publish a report on our website. The report will include a summary of amount of net proceeds allocated to each Eligible Project Category and outstanding amount of net proceeds yet to be allocated to Eligible Projects at the end of the reporting period.

Reporting

Annually, until full allocation of the proceeds, and on a timely basis in case of material developments, we will publish a report on our website. The report will include a summary of amount of net proceeds allocated to each Eligible Project Category and outstanding amount of net proceeds yet to be allocated to Eligible Projects at the end of the reporting period.

External Review

DNV Business Assurance Korea Ltd., an external consultant, issued an opinion on 19 October 2021 ("**Second Party Opinion**") regarding the alignment of the Sustainability Bond Framework with the 2021 ICMA Guidelines. The Second Party Opinion is not a recommendation to buy, sell or hold any Notes and is only current as of the date that the Second Party Opinion was initially issued, and may be updated, suspended or withdrawn at any time. See "*Risk Factors — Risks Relating to the Securities — The Securities, which are being issued as Sustainability Bonds, may not be a suitable investment for all investors seeking exposure to sustainable assets*."

The description of the Sustainability Bond Framework and the Second Party Opinion in this section should be read as a summary of the full Social, Green and Sustainability Bond Framework and the Second Party Opinion publicly available on the Issuer's website, which are not incorporated into, and do not form a part of, this offering circular.

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the Market Average Exchange Rate. We do not intend to imply 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.

Period	At End of Period	Average Rate(1)	High	Low
	(Won per US$1.00)			
2017	₩ 1,071.4	₩ 1,130.8	₩ 1,208.5	₩ 1,071.4
2018	1,118.1	1,100.3	1,142.5	1,057.6
2019	1,157.8	1,165.7	1,218.9	1,111.6
2020	1,088.0	1,180.1	1,280.1	1,082.7
2021	1,185.5	1,144.4	1,199.1	1,083.1
July	1,147.4	1,144.0	1,154.8	1,129.5
August	1,164.4	1,160.3	1,176.7	1,142.3
September	1,184.9	1,169.5	1,184.9	1,156.4
October	1,171.7	1,182.8	1,199.1	1,166.3
November	1,193.4	1,182.9	1,193.4	1,169.6
December	1,185.5	1,183.7	1,191.5	1,173.8
2022				
January (through 18 January)	1,192.3	1,193.7	1,202.4	1,185.5

Source: Seoul Money Brokerage Services, Ltd.

(1) Represents the average of the daily Market Average Exchange Rates over the relevant period.

CAPITALIZATION

The following table sets forth our capitalization (defined as the sum of our borrowings, debentures and total equity) as of 30 September 2021, on an actual basis and adjusted to give effect to the issuance of the Securities offered hereby.

You should read the information set forth below in conjunction with "Selected Financial and Operating Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Financial Statements appearing elsewhere in this offering circular.

	As of 30 September 2021	
	Actual	As adjusted[(1)]
	(in billions of Won)	
Indebtedness:		
Borrowings	₩ 6,104	₩ 6,104
Debentures	1,087	1,087
Securities to be issued hereby	—	889
Equity:		
Share capital	₩ 4,343	₩ 4,343
Additional paid-in capital	(453)	(453)
Hybrid capital instruments	2,056	2,056
Other components of equity	537	537
Retained earnings	4,765	4,765
Non-controlling interests	2,081	2,081
Total equity	₩ 13,329	₩ 13,329
Total capitalization[(2)]	₩ 20,520	₩ 21,409

(1) Reflects the principal amount of the Securities translated into Won at Won 1,184.9 to US$1.00, the Market Average Exchange Rate in effect as of 30 September 2021. No representation is made that the Won or U.S. dollar amounts referred to in this offering circular could have been or could be converted into U.S. dollars or Won, as the case may be, or at any particular rate or at all.

(2) Other than the Securities to be issued hereby, there has been no material change in our capitalization since 30 September 2021.

SELECTED FINANCIAL AND OPERATING DATA

The following tables set forth our selected financial and operating data. Our selected financial data as of and for the years ended 31 December 2018, 2019 and 2020 and as of 30 September 2021 and the nine months ended 30 September 2020 and 2021 set forth below has been derived from our Financial Statements included elsewhere in this offering circular. It is important that you read our selected financial and operating data set forth below in conjunction with our Consolidated Financial Statements, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other historical financial information appearing elsewhere in this offering circular. Our Consolidated Financial Statements included in this offering circular have been prepared in accordance with K-IFRS, which differ in certain significant respects from generally accepted accounting principles in other countries, including the United States.

Selected Statements of Comprehensive Income Data

	For the Years Ended 31 December			For the Nine Months Ended 30 September	
	2018	2019	2020	2020	2021
	(in billions of Won, except per share amount)				
Operating revenue					
Insurance premium income	₩ 14,926	₩ 15,588	₩ 16,228	₩ 12,191	₩ 12,286
Reinsurance Income	1,356	1,495	1,258	936	973
Interest income	3,046	2,988	3,000	2,312	2,215
Gain on compensation receivables	4	3	–	*N/M*	–
Gain on valuation and disposal of financial assets at fair value through profit or loss	57	151	166	135	327
Gain on valuation and disposal of available-for-sale financial assets	273	576	1,186	848	665
Gain on foreign currency transactions	1,073	1,403	698	1,012	1,999
Gain on valuation and disposal of derivatives	464	751	1,594	424	390
Other income	928	837	916	602	707
Fees from separate accounts	1,116	988	993	737	724
Separate account revenue	188	198	184	134	139
	23,431	**24,978**	**26,223**	**19,331**	**20,423**
Operating expenses					
Change in reserves for insurance contracts	₩ 4,289	₩ 4,646	₩ 4,687	₩ 3,448	₩ 3,140
Insurance claims paid	11,191	11,880	12,349	9,214	9,558
Reinsurance expenses	1,422	1,584	1,337	1,003	1,112
Business expenses	1,885	1,985	2,015	1,504	1,455
Amortization of deferred policy acquisition costs	1,332	1,252	1,250	929	921
Property administration expenses	112	131	123	95	105
Claim handling expenses	108	116	117	88	91
Loss on compensation receivables	–	–	2	–	1
Loss on valuation and disposal of financial assets at fair value through profit or loss	44	43	60	83	118
Loss on valuation and disposal of available-for-sale financial assets	155	370	386	321	74
Loss on valuation and disposal of loans and other receivables	29	128	115	75	22
Loss on foreign currency transactions	234	367	1,550	245	86
Loss on valuation and disposal of derivatives	1,265	1,767	1,162	1,325	2,212
Other expenses	504	440	454	396	438
Fees for separate accounts	23	21	54	41	23
Separate account expenses	186	198	184	134	139
	22,780	**24,929**	**25,846**	**18,901**	**19,495**

	For the Years Ended 31 December			For the Nine Months Ended 30 September	
	2018	2019	2020	2020	2021
	(in billions of Won, except per share amount)				
Operating profit	**650**	**49**	**377**	**430**	**928**
Non-operating revenues	**50**	**62**	**41**	**25**	**356**
Non-operating expenses	**64**	**76**	**110**	**31**	**20**
Profit before income tax	**636**	**35**	**308**	**424**	**1,264**
Income tax expense (income)	190	(24)	67	112	383
Profit for the period	**₩ 447**	**₩ 59**	**₩ 241**	**₩ 312**	**₩ 881**
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss					
Gain on revaluation of property and equipment	10	4	3	2	4
Remeasurements of net defined benefit liabilities	(19)	(3)	1	*N/M*	10
Items that may be subsequently reclassified to profit or loss					
Changes in the fair value of available-for-sale financial assets	(351)	2,268	(74)	1,057	(2,167)
Changes in gains(losses) on valuation of held-to-maturity financial assets	12	(73)	–	–	–
Share of other comprehensive income of associates	3	(4)	(1)	3	5
Changes in the fair value of derivatives instruments for hedge accounting	0.6	(159)	(62)	(42)	(102)
Other comprehensive income of separate accounts	17	67	4	33	(85)
Currency translation differences	6	45	(31)	(2)	51
Other comprehensive income for the period, net of tax	(320)	2,144	(160)	1,052	(2,285)
Total comprehensive income for the period	**₩ 126**	**₩ 2,203**	**₩ 81**	**₩ 1,363**	**₩ (1,405)**
Profit is attributable to:					
Owners of the Parent Company	₩ 415	₩ 100	₩ 235	₩ 284	₩ 814
Non-controlling interest	31	(42)	6	28	66
Total comprehensive income for the period is attributable to:					
Owners of the Parent Company	₩ 65	₩ 2,042	96	1,262	(1,325)
Non-controlling interest	61	160	(15)	102	(80)
Earnings per share					
Basic and diluted earnings per share	₩ 473	₩ 18	₩ 184	279	₩ 986

N/M = Not Meaningful

Selected Statements of Financial Position Data

	As of 31 December			As of 30 September
	2018	2019	2020	2021
	(in billions of Won)			
Assets				
Cash and cash equivalents	₩ 1,839	₩ 951	₩ 1,052	₩ 1,303
Deposits	792	1,020	506	1,110
Financial assets at fair value through profit or loss	5,629	7,165	8,550	15,248
Available-for-sale financial assets	28,215	70,628	72,051	74,997
Held-to-maturity financial assets(1)	36,742	–	–	–
Investments in associates and joint ventures	156	231	257	363
Loans	26,915	28,813	29,596	31,103
Property and equipment	1,803	1,855	1,902	1,949
Investment property	2,517	2,554	2,551	2,432
Intangible assets	1,216	1,163	1,134	1,160
Right-of-use assets(2)	–	79	81	154
Derivative assets	377	298	1,051	181
Net defined benefit assets	14	–	5	1
Current tax assets	12	141	145	11
Deferred tax assets	15	15	9	80
Other financial assets	1,452	1,761	1,536	2,471
Other assets	2,928	3,049	3,026	3,085
Separate account assets	21,463	22,128	25,322	25,974
Total assets	**₩ 132,084**	**₩ 141,850**	**₩ 148,775**	**₩ 161,621**
Liabilities and Equity				
Insurance contract liabilities	₩ 94,572	₩ 99,268	₩ 103,899	₩ 107,116
Policyholders' equity adjustment	539	1,207	1,208	467
Financial liabilities at fair value through profit or loss	–	–	–	1,451
Borrowings and Debentures	690	556	553	7,191
Current tax liabilities	291	5	4	87
Deferred tax liabilities	380	1,066	1,016	584
Derivative liabilities	322	608	185	1,185
Net defined benefit liabilities	166	174	167	297
Provisions	15	16	76	76
Other financial liabilities	1,312	1,976	1,911	3,896
Other liabilities	121	154	204	241
Separate account liabilities	22,246	22,826	25,608	25,701
Total liabilities	**₩ 120,655**	**₩ 127,857**	**₩ 134,831**	**₩ 148,292**
Equity				
Equity attributable to owners of the Parent Company				
Share capital	4,343	4,343	4,343	4,343
Additional paid-in capital	(458)	(458)	(454)	(453)
Hybrid capital instruments	1,558	2,056	2,056	2,056
Other components of equity	879	2,821	2,681	537
Retained earnings	3,986	3,924	4,041	4,765
Non-controlling interests	**1,123**	**1,307**	**1,278**	**2,081**
Total equity	**11,430**	**13,993**	**13,944**	**13,329**
Total liabilities and equity	**₩ 132,084**	**₩ 141,850**	**₩ 148,775**	**₩ 161,621**

(1) During the year ended 31 December 2019, our management reclassified held-to-maturity financial assets to available-for-sale financial assets as our intent and ability to hold held-to-maturity financial assets changed. See Note 7 of the notes of our audited consolidated financial statements as of and for the years ended 31 December 2019 and 2018.

(2) The Company has adopted Korean IFRS 1116, retrospectively, from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. From 1 January 2019, leases are recognized as a right-of-use asset pursuant to the implementation of K-IFRS 1116. See Note 2.2 of the notes of our audited consolidated financial statements as of and for the years ended 31 December 2019 and 2018.

Operating Data of HLI (Including Separate Accounts)

	As of or for the Year Ended 31 December						As of or for the Nine Months Ended 30 September 2021	
	2018		2019		2020			
	(on a separate basis) (in billions of Won, except as otherwise indicated)							
Total policies in force (in thousands)		11,831		11,648		11,680		11,600
Number of new policies sold (in thousands)		1,744		1,920		1,818		1,138
Gross premiums[(1)(2)]	₩	14,240	₩	14,014	₩	14,775	₩	9,880
First year premiums[(1)(2)]	₩	3,808	₩	3,741	₩	4,871	₩	2,889
First year regular payment premiums	₩	3,470	₩	3,374	₩	4,255	₩	2,093
First year single payment premiums	₩	338	₩	368	₩	616	₩	796
In-force face amount growth ratio[(3)]		(1.6)%		(1.1)%		(0.1)%		(0.7)%
Lapse and surrender ratio[(4)]		8.2%		8.1%		7.7%		5.6%
Policy persistency ratio[(5)]:								
13-month		81.7%		81.8%		83.2%		84.9%
25-month		64.6%		60.1%		60.2%		64.6%
Loss ratio[(6)]		77.9%		81.5%		79.6%		81.7%
Operating expense ratio[(7)]		13.3%		14.3%		14.1%		14.7%
Risk-based capital adequacy ratio[(8)]		212.2%		235.3%		238.3%		193.5%
Return on equity[(9)]		3.8%		1.0%		1.6%		4.2%
Return on assets[(10)]		0.3%		0.1%		0.2%		0.4%

(1) The amount of premiums received in a specified period in respect of policies in force during such period, on a separate basis.

(2) Includes (i) the portion of premiums paid by variable insurance policyholders that relates to benefits based on the performance of the underlying investment assets and (ii) premiums from retirement pension products, on a separate basis, which are not recognized as premium income in our statements of comprehensive income.

(3) The ratio of (i) the difference between the total face amount of policies that have not expired or been terminated as of the end of the specified period and the aggregate face amount of policies in force at the beginning of such period to (ii) the aggregate face amount of policies in force at the beginning of such period, on a separate basis.

(4) The ratio of the aggregate face amount of all policies that were terminated or expired and were not renewed during the specified period to the sum of (i) the aggregate face amount of policies in force at the beginning of such period and (ii) the aggregate face amount of policies sold during such period, on a separate basis.

(5) The ratio of (i) the sum of the aggregate face amount of the policies that remained in force at the 13th month or 25th month policy anniversary date, as applicable, falling within the specified period to (ii) the sum of the aggregate face amount of all policies sold that would have had such a policy anniversary date, on a separate basis, as calculated in accordance with the applicable requirements of the FSS.

(6) The ratio of (i) total claims paid for the specified period to (ii) risk insurance premiums for such period, on a separate basis.

(7) The ratio of (i) the sum of policy acquisition and maintenance expenses for the specified period (before adjusting for deferred acquisition costs) to (ii) general account and separate account premium income for such period, on a separate basis.

(8) Calculated in accordance with the applicable requirements of the FSS. For information regarding our available capital for purposes of calculating our statutory risk-based capital adequacy ratio, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk-Based Capital Adequacy Requirements*."

(9) The ratio of (i) net income for the specified period (annualized for interim periods) to (ii) the average total equity for such period, on a separate basis.

(10) The ratio of (i) net income for the specified period (annualized for interim periods) to (ii) the average total assets for such period, on a separate basis.

Operating Data of HGI

	As of or for the Year Ended 31 December			As of or for the Nine Months Ended
	2018	2019	2020	30 September 2021
	(on a separate basis) (in billions of Won, except as otherwise indicated)			
Total policies in force (in thousands)	8,178	8,443	8,232	8,191
Number of new policies sold (in thousands)	4,884	4,711	3,700	2,568
Gross direct written premiums[(1)]	₩ 5,603	₩ 5,965	₩ 5,976	₩ 4,488
Net earned premiums[(2)]	₩ 4,341	₩ 4,567	₩ 4,781	₩ 3,595
Loss ratio[(3)]	83.1%	85.5%	85.4%	83.2%
Operating expense ratio[(4)]	25.3%	26.3%	22.5%	21.9%
Risk-based capital adequacy ratio[(5)]	195.1%	181.0%	221.5%	191.3%
Return on equity[(6)]	6.3%	(3.9)%	5.2%	13.7%
Return on assets[(7)]	0.5%	(0.3)%	0.5%	1.1%

(1) The amount of direct written premiums received in a specified period in respect of policies in force during such period, on a separate basis.

(2) The sum of (i) gross direct written premiums for the specified period, (ii) reinsurance premium income for such period, (iii) return of surrender refunds for such period and (iv) total unearned premiums deferred from the previous period, less the sum of (x) reinsurance expenses for the specified period, (y) surrender refunds for such period and (z) total unearned premiums deferred to the next period, on a separate basis.

(3) The ratio of (i) total claims paid for the specified period to (ii) net earned premiums for such period, on a separate basis.

(4) The ratio of (i) the sum of policy acquisition and maintenance expenses for the specified period (before adjusting for deferred acquisition costs) to (ii) net premiums written for such period, on a separate basis.

(5) Calculated in accordance with the applicable requirements of the FSS. See "*Regulation and Supervision —Risk-Based Supervision of Insurance Companies — Risk-Based Capital Adequacy Requirements*."

(6) The ratio of (i) profit for the specified period (annualized for interim periods) to (ii) the average total equity for such period, on a separate basis.

(7) The ratio of (i) profit for the specified period (annualized for interim periods) to (ii) the average total assets for such period, on a separate basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our consolidated financial information as of and for the years ended 31 December 2018, 2019, 2020 and as of 30 September 2021 and the nine months ended 30 September 2020 and 2021 should be read in conjunction with the Financial Statements included in this offering circular, which have been prepared in accordance with K-IFRS. K-IFRS differs in certain respects from generally accepted accounting principles in other countries, including the United States. The discussion contains forward-looking statements and reflects our current view with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth under "Risk Factors" and elsewhere in this offering circular.

Overview

We were established in 1946 as Korea's first life insurer and have led the Korean life insurance industry as one of the "Big Three" life insurers in Korea by market share in terms of gross premiums. We are the second largest life insurance company in Korea as measured by total assets of Won 128.0 trillion and total gross premiums of Won 8.8 trillion (consisting of Won 7.6 trillion in general account and Won 1.2 trillion in separate account) as of and for the nine months ended 30 September 2021 on a separate basis. As of the same date, we had approximately 11.6 million life insurance policies in force and approximately 5.1 million individual policy holders on a separate basis.

Our vision is to be a "LIFEPLUS Company" that adds value to the lives of our customers. We seek to enhance profitability based on a customer-centric value growth strategy, by focusing on selling higher-margin insurance products and optimizing our cost structure while catering to the market demand for new, innovative insurance and investment products under the evolving demographic and regulatory landscape in Korea, as well as investing in new areas of growth, such as under-penetrated overseas markets. We aim to offer a product portfolio that is fine-tuned to market trends and customer needs tracking the evolving environment of the insurance market and customer lifestyles in Korea and the overseas markets in which we operate, including health management, retirement plans and investing behaviours. Our insurance products and services consist of protection-type insurance products such as whole life and critical illness insurance, annuities, savings products, group life insurance products, variable insurance products and retirement insurance and pension products. We focus on maintaining a strong platform of higher-margin protection-type products, while reducing volume driven but lower-margin products such as savings products. These higher-margin protection-type products accounted for 60.4% and 61.5% of our total APE, including premiums for our separate accounts, in the nine months ended 30 September 2021 and the year ended 31 December 2020 on a separate basis. Our annuities products and other insurance products providing living benefits, such as annuity products that combine retirement and death benefits, continue to remain a strategic focus, as we seek to cater to the older and retired generation, the fastest growing segment of Korea's population. We address market demand for investment-linked insurance products with higher rates of return and greater investment flexibility by developing and distributing a variety of variable insurance products.

We have one of the most extensive distribution networks in Korea with a large number of dedicated financial planners, our primary distribution channel which engages in personalized consulting-based sales, through HLFS, our wholly-owned subsidiary and the largest general agency in Korea in terms of the number of financial planners as of 30 June 2021, according to the GIAK. We established HLFS in April 2021 by spinning off our financial planner sales team into a dedicated general agency company, which allows us to further specialize and grow the expertise of our financial planners, while achieving economies of scale and owning and controlling the financial planner and general agency value chain. By combining our distribution network and our customer database, we are able to conduct effective and efficient sales activities through targeting customer groups with tailored product offerings. Our HLFS financial planner distribution channel has generated approximately 49.8% and 52.5% of our APE for the nine months ended 30 September 2021 and the year ended 31 December 2020, respectively, on a separate basis. We also use other distribution channels, such as non-exclusive general agencies and bancassurance, and engage in diverse forms of marketing, such as operation of social media and digital marketing, which enable us to reach a broader range of customers and to respond to changes in consumer trends in our target insurance markets with greater agility, accessibility and efficiency.

We engage in the property and casualty insurance business in Korea through our consolidated subsidiary, Hanwha General Insurance Co., Ltd., in which we hold a 51.4% equity interest as of 30 September 2021. Established in 1946, HGI is a mid-sized property and casualty insurance company that offers a wide range of property and casualty insurance products, including long-term insurance products that provide protection against losses arising from a policyholder's illness, injuries, property losses or other events while also featuring a savings component. HGI also offers automobile insurance and other general property and casualty insurance products. As of 30 September 2021, HGI had approximately 8 million property and casualty insurance policies in force. Total assets of HGI on a separate basis, without intercompany adjustments, represented 12.5% of our consolidated total assets as of 30 September 2021, while operating revenue from HGI on a separate basis, without intercompany adjustments, represented 28.7% and 29.8% of our consolidated operating revenue for the nine months ended 30 September 2021 and the year ended 31 December 2020, respectively. In recognizing the trends towards transacting on digital platform and consumer preference, we launched Carrot General Insurance Co., Ltd., Korea's first all "digital" insurance company without any physical branches in October 2019 as a subsidiary of HGI. CGI offers innovative and flexible property and casualty insurance policies, such as per mile car insurance, smartphone screen protection insurance and financial phishing or hacking insurance, which are especially popular among the younger generation.

On the asset management side, we pursue a prudent investment management strategy by maintaining a diversified mix of investment assets and carefully managing risks and asset quality. In recent years, we have increased allocations to alternative investments and financial derivatives like bond forwards as part of our efforts to enhance risk-adjusted returns and reduce asset-liability duration gap. In addition to our internal asset management capabilities, we also engage in the asset management business through Hanwha Asset Management, a wholly-owned subsidiary. Established in 1988, Hanwha Asset Management, which is the fourth largest asset management company in Korea in terms of assets-under-management, manages fund products and advises on discretionary investment, including beneficiary certificates and discretionary investments. In August 2021, Hanwha Asset Management acquired additional shares in Hanwha I&S to become its controlling shareholder. Hanwha I&S provides securities and financial services, including securities brokerage, development and sale of various financial products, asset management (such as wealth management and wholesale), trading, M&A advisory and investment banking services. The consolidation of Hanwha I&S is expected to bring further synergies to our asset management business. As of 30 September 2021, we wholly owned Hanwha Asset Management, which in turn owned a 46.1% equity interest in Hanwha I&S.

Scope of Consolidated Group

As of 30 September 2021, we had 143 consolidated entities, consisting of subsidiaries and investment vehicles in which we own beneficiary certificates. Our key domestic subsidiaries include HGI, total assets of which, on a separate basis, accounted for 13.1% of our total assets for the year ended 31 December 2020 and 12.5% of our total assets for the nine months ended 30 September 2021. The operating revenue of HGI, on a separate basis, accounted for 29.8% of our consolidated operating revenue for the year ended 31 December 2020 and 28.7% of our consolidated operating revenue for the nine months ended 30 September 2021.

We also offer life insurance policies in Vietnam and Indonesia, through our wholly-owned subsidiaries, Hanwha Life Insurance Company Limited (Vietnam) ("**HLIV**") and PT. Hanwha Life Insurance Indonesia ("**HLII**"), respectively, both of which are our consolidated entities. Separate operating revenue of HLIV and HLII for the nine months ended 30 September 2021 were Won 171 billion and Won 15 billion respectively, without eliminating intercompany transactions and balances. We also operate life insurance business in China through a 50:50 joint-venture, Sino-Korea Life Insurance Co., Ltd. ("**SKLI**"), which is accounted under equity method. Equity method value of our equity stake in SKLI was Won 55 billion as of 30 September 2021. Unless otherwise noted, the discussion of results of operations and financial condition included below refers to the consolidated financial statements included elsewhere in this offering circular.

Major Factors Affecting Our Results of Operations

Our ability to generate operating revenues and income and to sustain our financial condition depends on variety of factors, including our ability to price and manage risk on our insurance products, our ability to maximize the return on our investment assets, our ability to sell new insurance policies, our ability to attract and retain customers, and our ability to manage our expenses. Our profitability is particularly affected by:

- our ability to design and distribute insurance products and services that gain market acceptance on a timely basis;
- the size, training and experience of our sales representative force and its ability to sell new policies and establish and maintain relationships with our customers;
- our ability to price, and manage our risk on, our insurance products at levels that enable us to earn a margin over the costs of providing benefits and the expense of both acquiring customers and administering those products;
- our ability to generate sufficient returns on, and to successfully manage the liquidity, market and credit risk in, our investment portfolio, as well as to manage the rate and duration gap between our interest rate-sensitive assets and liabilities;
- our mortality and morbidity experience (i.e., hazard rates); and
- our persistency experience, which affects our ability to recover the cost of acquiring new business over the duration of contracts.

In addition, our results of operations have fluctuated, and are expected to continue to fluctuate, from period to period based on:

- conditions in the Korean economy;
- changes in interest rates;
- the regulatory environment in the Korean life insurance industry;
- changes in the mix of our distribution channels; and
- changes in the portfolio of products we sell.

Conditions in the Korean Economy

Our business is materially affected by general economic and market conditions in Korea and elsewhere, and these conditions may change suddenly and dramatically. A favourable business environment is generally characterized by, among other factors, high gross domestic product growth, stable geopolitical conditions, transparent and efficient capital markets, low inflation, high business and investor confidence and strong business earnings. Unfavourable or uncertain economic and market conditions can be caused by difficulties in the financial sector, trade tensions, disruptions in the global supply chains, shortages of raw material or component parts, outbreaks of hostilities or other geopolitical instability, declines in business confidence, increases in inflation, corporate, political or other scandals that reduce investor confidence in capital markets, declines in business confidence, increases in inflation, natural disasters or pandemics or a combination of these or other factors. In light of the high level of interdependence of the global economy, any major developments in the global economy could affect the Korean economy and financial markets, and in turn our business. In particular, our exposure to retail customers means that we are significantly affected by changes in economic conditions that impact individuals in Korea. Fluctuations in unemployment levels, interest rates, real estate, stock prices or consumer sentiment or other aspects of the Korean economy and financial markets that affect retail customers could result in increases or decreases in demand for life insurance and investment products and market participation levels by individuals, which in turn may affect our business and performance. See "*Risk Factors — Relating to Korea — If economic conditions in Korea deteriorate, our current business and future growth could be materially and adversely affected.*" Furthermore, our ability to make a profit on life and property and casualty insurance products depends in part on the returns on the general account investments supporting our obligations under these products, and the value of specific investments may fluctuate substantially depending on conditions in the global economy generally and particularly in the Korean and U.S. fixed income, real estate and equity markets.

The life insurance industry in Korea is expected to continue growing in the medium to long term as a result of certain key industry fundamentals such as rapidly aging demographic and the consequent increase of healthcare spending. However, the economic indicators in Korea in recent years have shown mixed signs of deterioration and uncertain recovery, primarily due to the social and economic disruption caused by the COVID-19 pandemic, and the outlook of the Korean economy is subject to many factors beyond our control, including developments in the global economy. Accordingly, the economic outlook for 2022 and for the foreseeable future remains uncertain.

Interest Rates

Our results of operations depend, in part, on our level of net interest income and our effective management of the impact of changing interest rates and varying asset and liability maturities. In particular, changes in market interest rates may affect the level and timing of recognition of gains and losses on securities and other investment assets held in our general account investment portfolio. A sustained period of lower interest rates would generally reduce the investment yield of our securities portfolio over time as higher yielding investments mature or are redeemed and proceeds are reinvested in new investments with lower yields. However, declining interest rates would also increase realized and unrealized gains on our existing securities portfolio. Conversely, rising interest rates should over time increase our investment income, but may reduce the market value of our securities portfolio. See Note 46 of the notes to our annual consolidated financial statements as of and for the years ended 31 December 2020 and 2019 for an analysis of the interest rate sensitivity of our assets.

In addition, some of our products, principally fixed annuities and other savings policies require us to pay guaranteed minimum rates of return to policyholders and therefore expose us to the risk that changes in interest rates will reduce our "spread," or the difference between the amounts that we are required to pay under the relevant policies and the rate of return we are able to earn on our general account investments intended to support our obligations under the policies. See "*Risk Factors — Risks Relating to Our Business — Changes in interest rates may reduce the profitability of our spread businesses and the return on our investments, as well as negatively impact our risk-based capital adequacy ratio.*" For a description of our general account investment portfolio and our recent investment results, see "*Business — Investments.*"

In recent years, interest rates in Korea have been at historic lows as the Bank of Korea has utilized monetary policies, including adjusting the policy interest rate to, stimulate economic growth or curb inflationary pressures. Between 2011 and 2019, the policy interest rate set by the Bank of Korea, to which the market interest rates correlate, has fluctuated within a range of 1.25% and 3.25%. In March 2020, amid growing concerns over the effects of the COVID-19 pandemic on macroeconomic conditions, the Bank of Korea cut the policy interest rate by 50 basis points to 0.75%, then a historic low since the Bank of Korea began setting the policy interest rate. The base interest rate was further reduced to 0.50% in May 2020 before it was raised to 0.75% in August 2021 and further raised 1.00% in November 2021 and 1.25% in January 2022 where it remains as of the date of this offering circular.

Regulatory Environment in the Korean Insurance Industry

Our operations are subject to insurance laws in Korea regulating all aspects of our business, and we are regulated and supervised principally by the FSC and its administrative body, the FSS. New laws or regulations or changes in enforcement of existing laws or regulations applicable to our operations or those of our agents may materially affect our business and results of operations. In particular, anticipated changes to the accounting standards and regulatory solvency regime applicable to the insurance industry in Korea are expected to materially impact the operations of Korean insurance companies, including us.

In response to a lack of comparability in the global insurance industry stemming from variations in accounting policies being applied, in May 2017, the IASB issued IFRS 17, a new IFRS accounting standard for insurance contracts to supersede IFRS 4. IFRS 17 introduces a fundamentally different approach to previous accounting policies under IFRS 4 in terms of both liability measurement and profit recognition. In April 2021, the KASB adopted IFRS 17 and issued K-IFRS 1117, which is currently scheduled to be effective for annual periods beginning on or after 1 January 2023. See "*Risk Factors — Risks Relating to Our Business — Changes in accounting standards and their implementation could adversely impact our reported results of operations and financial condition and their comparability.*"

In July 2018, the FSC first proposed K-ICS, a new regulatory solvency regime for insurance companies in Korea based on the Insurance Capital Standards developed by the International Association of Insurance Supervisors. The main objective of the Insurance Capital Standards is to enhance global convergence on insurance capital standards, including a common methodology to calculate capital and evaluate solvency positions, to allow comparability of insurance companies globally. Compared to the current methodology to measure risk-based capital, K-ICS would (i) measure insurance contract liabilities based on present market value instead of book value, (ii) consider additional risks, such the risks of longevity, catastrophic mortality events and surrenders, in the calculation of required capital, and (iii) strengthen risk measurement, among other changes. The K-ICS is currently scheduled to be implemented for annual periods beginning on or after 1 January 2023. See "*Risk Factors — Risks Relating to Our Business — We may be required to raise additional capital or reduce our growth or business scale if our risk-based capital adequacy ratio deteriorates or the applicable capital requirements change in the future.*"

Mix of Distribution Channels

Our life insurance product offerings, persistency ratios and cost structures vary by distribution channel, and the rebalancing of our distribution channels affects our operating revenues and profitability. Our distribution channels consist of HLFS financial planners, general agencies, bancassurance and others. See "*Business — Sales and Distribution Channels.*" The following table sets forth the amounts of our first-year premiums (for both general account and separate account products) and percentages of our first-year premiums attributable to each distribution channel for the periods indicated.

	For the Year Ended 31 December						For the Nine Months Ended 30 September			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)									
HLFS Financial Planners(1)	₩ 999	26.2%	₩ 1,025	27.4%	₩ 1,011	20.8%	₩ 761	22.6%	₩ 667	23.1%
General Agencies	213	5.6	211	5.6	216	4.4	162	4.8	151	5.2
Bancassurance	646	17.0	906	24.2	1,460	30.0	1,160	34.4	1,202	41.6
Others(2)	1,951	51.2	1,600	42.8	2,184	44.8	1,288	38.2	869	30.1
Total	**₩ 3,808**	**100.0%**	**₩ 3,741**	**100.0%**	**₩ 4,871**	**100.0%**	**₩ 3,371**	**100.0%**	**₩ 2,889**	**100.0%**

(1) Consists of our financial planner sales team prior to the spin-off of HLFS in April 2021 and HLFS financial planners subsequent to the spin-off.

(2) Includes sales from our Corporate Sales division, Onsure platform, Life MD part-time financial planner and HLL channels.

The following table sets forth the amounts and percentages of our APE (including premiums for our separate accounts) attributable to each distribution channel, on a separate basis, for the periods indicated.

	For the Year Ended 31 December						For the Nine Months Ended 30 September			
	2018		2019		2020		2020		2021	
	APE(1)	%	APE(1)	%	APE(1)	%	APE(1)	%	APE(1)	%
	(in billions of Won, except percentages)									
HLFS Financial Planners(2)	927	55.2%	1,044	57.5%	964	52.5%	737	50.7%	589	49.8%
General Agencies	207	12.3	225	12.4	226	12.3	168	11.5	156	13.2
Bancassurance	442	26.3	445	24.5	542	29.5	463	31.9	357	30.2
Others(3)	105	6.2	102	5.6	106	5.7	85	5.9	80	6.8
Total	**1,680**	**100.0%**	**1,815**	**100.0%**	**1,838**	**100.0%**	**1,453**	**100.0%**	**1,183**	**100.0%**

(1) APE for the periods indicated represents our annualized premiums for regular payment premium products sold during the applicable period, plus 10% of our premiums for single payment premium products sold during such period, in each case, excluding insurance products that have a coverage period of one year or less and retirement pension products.

(2) Consists of our financial planners prior to the spin-off of HLFS in April 2021 and HLFS financial planners subsequent to the spin-off.

(3) Includes sales from our Corporate Sales division, Onsure platform, Life MD part-time financial planner and HLL channels.

Product Portfolio

Our operating revenues and profitability are affected by changes in the portfolio of life insurance products we sell. For example, protection-type products have typically been more profitable than annuities and savings insurance products. The following tables set forth information about the amounts and percentages of our gross premiums and APE (including our gross premiums and APE of our separate accounts) accounted for by each product type, on a separate basis, for the periods indicated:

	For the Year Ended 31 December						For the Nine Months Ended 30 September			
	2018		2019		2020		2020		2021	
	Gross Premiums	%	Gross Premiums	%	Gross Premiums	%	Gross Premiums	%	Gross Premiums	%
	(in billions of Won, except percentages)									
Individual Insurance	**₩11,653**	**81.8%**	**₩11,636**	**83.0%**	**₩11,912**	**80.6%**	**₩ 9,031**	**85.4%**	**₩8,724**	**88.3%**
Protection-type	**6,601**	**46.4**	**6,795**	**48.5**	**7,026**	**47.6**	**5,254**	**49.7**	**5,315**	**53.8**
Whole Life/CI	4,591	32.2	4,559	32.5	4,652	31.5	3,500	33.1	3,387	34.3
Variable Whole Life/CI	1,190	8.4	1,151	8.2	1,067	7.2	808	7.6	743	7.5
General Protection-type	820	5.8	1,085	7.7	1,307	8.8	946	8.9	1,185	12.0
Annuity	**3,257**	**22.9**	**3,062**	**21.8**	**2,841**	**19.2**	**2,129**	**20.1**	**2,054**	**20.8**
General Annuities	2,086	14.6	2,077	14.8	2,077	14.1	1,536	14.5	1,632	16.5
Variable Annuities	1,171	8.2	985	7.0	764	5.2	593	5.6	422	4.3
Savings	**1,795**	**12.6**	**1,778**	**12.7**	**2,045**	**13.8**	**1,649**	**15.6**	**1,356**	**13.7**
General Savings	1,635	11.5	1,645	11.7	1,931	13.1	1,561	14.8	1,283	13.0
Variable Savings	161	1.1	134	1.0	114	0.8	87	0.8	73	0.7
Group Insurance	**92**	**0.6**	**92**	**0.7**	**92**	**0.6**	**72**	**0.7**	**73**	**0.7**
Protection-type	43	0.3	40	0.3	35	0.2	29	0.3	21	0.2
Savings	49	0.3	52	0.4	57	0.4	43	0.4	51	0.5
Pensions	**2,495**	**17.5**	**2,285**	**16.3**	**2,771**	**18.8**	**1,471**	**13.9**	**1,083**	**11.0**
Total General Account	**9,224**	**64.8**	**9,459**	**67.5**	**10,058**	**68.1**	**7,615**	**72.0**	**7,559**	**76.5**
Total Separate Account	**5,016**	**35.2**	**4,555**	**32.5**	**4,717**	**31.9**	**2,959**	**28.0**	**2,320**	**23.5**
Total Gross Premium	**₩14,240**	**100.0%**	**₩14,014**	**100.0%**	**₩14,775**	**100.0%**	**₩10,574**	**100.0%**	**₩9,880**	**100.0%**

	For the Year Ended 31 December						For the Nine Months Ended 30 September			
	2018		2019		2020		2020		2021	
	APE(1)	%	APE(1)	%	APE(1)	%	APE(1)	%	APE(1)	%
	(in billions of Won, except percentages)									
Individual Insurance	**1,670**	**99.4%**	**1,804**	**99.4%**	**1,826**	**99.3%**	**1,443**	**99.3%**	**1,164**	**98.4%**
Protection-type	**938**	**55.8**	**1,175**	**64.7**	**1,130**	**61.5**	**866**	**59.6**	**714**	**60.4**
Whole Life/CI	649	38.6	727	40.1	647	35.2	532	36.6	378	32.0
Variable Whole Life/CI	71	4.2	21	1.2	17	0.9	15	1.0	1	0.1
General Protection-type	218	13.0	427	23.5	466	25.3	319	22.0	335	28.3
Annuity	**391**	**23.3**	**333**	**18.4**	**345**	**18.8**	**251**	**17.3**	**344**	**29.1**
General Annuities	358	21.3	324	17.9	338	18.4	246	16.9	336	28.4
Variable Annuities	34	2.0	9	0.5	8	0.4	5	0.4	8	0.7
Savings	**341**	**20.3**	**296**	**16.3**	**350**	**19.1**	**326**	**22.4**	**106**	**8.9**
General Savings	336	20.0	289	15.9	347	18.9	322	22.2	102	8.6
Variable Savings	5	0.3	7	0.4	4	0.2	3	0.2	4	0.3
Group Insurance	**10**	**0.6**	**11**	**0.6**	**12**	**0.7**	**10**	**0.7**	**19**	**1.6**
Protection-type	1	0.1	1	0.1	1	0.1	1	0.0	1	0.1
Savings-type	9	0.5	9	0.5	11	0.6	10	0.7	18	1.5
Pensions	**0**	**–**	**0**	**–**	**0**	**–**	**0**	**–**	**0**	**–**
Total General Account	**1,570**	**93.5**	**1,778**	**98.0**	**1,810**	**98.5**	**1,430**	**98.4**	**1,170**	**98.9**
Total Separate Account	**110**	**6.5**	**37**	**2.0**	**28**	**1.5**	**24**	**1.6**	**13**	**1.1**
Total Gross Premium	**1,680**	**100.0%**	**1,815**	**100.0%**	**1,838**	**100.0%**	**1,453**	**100.0%**	**1,183**	**100.0%**

(1) APE for the periods indicated represents our annualized premiums for regular payment premium products sold during the applicable period, plus 10% of our premiums for single payment premium products sold during such period, in each case, excluding insurance products that have a coverage period of one year or less and retirement pension products.

Separate Account Assets and Liabilities

Under the Regulation on Supervision of Insurance Business, we are required to maintain separate accounts related to variable insurance policies as well as retirement pension products. These separate accounts are segregated from each other and from our general account. Investment and other assets supporting the obligations under these separate account products, net of amounts receivable from the general account, are recorded as “separate account assets” in our statements of financial position, while insurance contract liabilities, investment contract liabilities and other liabilities, net of amounts payable to the general account, are recorded as “separate account liabilities” in our statements of financial position.

In our statements of comprehensive income, interest income, investment income and other income on our retirement pension products that provide fixed-level benefits are recorded as “separate account revenue,” while a corresponding amount of increase in investment contract liabilities, separate account management fees and other expenses on such retirement pension products that provide fixed-level benefits are recorded as “separate account expenses.” On the other hand, income and expenses on separate account products, such as variable insurance policies, that provide benefits based on the performance of the underlying investment assets are disclosed in the notes to our financial statements but are generally not recorded in our statements of comprehensive income. See Note 20 of the notes to our annual consolidated financial statements as of and for the years ended 31 December 2020 and 2019. However, the portion of premiums received on variable insurance policies that relates to acquisition and operating costs is recognized as premium income, and such costs are recognized as general account expenses, in our statements of comprehensive income. Furthermore, with respect to variable insurance policies that also provide guaranteed minimum protection, annuity or savings benefits (such as variable whole life insurance policies, variable annuities and variable savings insurance policies), we establish policy reserves in our general account with respect to such guaranteed minimum benefits and record the investment and other assets supporting such benefit obligations as general account assets in our statements of financial position. We also recognize the portion of the premiums received on variable insurance policies that relates to such guaranteed minimum benefits as “separate account commission earned,” and the provisions for policy reserves and insurance claims paid with respect to such guaranteed minimum benefits as general account expenses, in our statements of comprehensive income. In addition, we earn periodic management fees on our management and administration of separate account investment assets, which we record as “fees from separate accounts” in our statements of comprehensive income.

Critical Accounting Policies

We have identified the accounting policies described below, involving judgments, estimates and assumptions, as critical to an understanding of our financial condition and results of operations. The preparation of our financial statements requires us to make difficult, complex and subjective judgments in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. By their nature, these judgments are subject to an inherent degree of uncertainty.

These judgments are based on our historical experience, terms of existing contracts, our observation of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. While we believe our estimates and judgments to be reasonable under the circumstances, there can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. In addition, other companies may utilize different accounting policies, which may impact the comparability of our results of operations to those of companies in similar businesses. For a discussion of our other significant accounting policies, see Note 2 of the notes to our annual consolidated financial statements as of and for the years ended 31 December 2020 and 2019.

Policy Reserves

For all of our insurance product lines, we establish, and record as "insurance contract liabilities" in our statement of financial position, reserves for future policy benefits and claims, which are determined in accordance with rules and regulations prescribed by the FSC and FSS that are applicable to the Korean life insurance industry. Reserves for variable insurance policies are generally determined on a market value basis, whereas reserves for non-variable insurance policies are generally determined on a historic value basis, where the reserving basis is fixed at the date of policy issuance. We record changes in our policy reserves as "change in reserves for insurance contracts" in our statement of comprehensive income for the period in which the liabilities are established or re-evaluated. At the end of each reporting period, we conduct a liability adequacy test to determine whether our insurance contract liabilities are adequate to cover our current estimate liability, which is an amount determined actuarially to meet our future obligations under our insurance contracts. See Notes 2.19 and 18 of the notes to our annual consolidated financial statements as of and for the years ended 31 December 2020 and 2019 for the results of our liability adequacy tests. Our current estimate liability is calculated based on actuarially recognized methods for estimating future policy benefits and claims plus expenses. If our statutory insurance contract liabilities are inadequate to cover our actuarially-determined current estimate liability, we would be required to establish additional reserves such that the liability under insurance contracts is no less than the gross premium valuation amount.

In order to estimate the cash flow anticipated to occur for existing insurance contracts, reasonable anticipation of cash inflows (including premium income) and cash outflows (including insurance claims and benefits payments) is required. The basis for determining the current estimate liability is the present value of expected future pay-out of benefits and claims plus expenses, less future gross premiums, calculated through the use of assumptions for investment returns, mortality, morbidity (i.e., hazard rates), expenses and persistency, as well as certain macroeconomic factors such as inflation. Adequacy of individually estimated claims is assessed for reserves by selecting the most adequate model according to the trend of claims paid among various statistical methods. We apply the selected assumptions consistently for similar products. These assumptions are based on our experience and data published by the Korea Insurance Development Institute, as well as judgments made by our management. These assumptions may deviate from our actual experience, and as a result, we cannot determine with precision the ultimate amounts that we will pay for, or the timing of payment of, actual benefits and claims or whether the assets supporting the policy reserves will grow to the level we assume prior to payment of benefits or claims. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future.

In general, the amount of provision for (or reversal of) policy reserves is proportional to increases (or decreases) in the policy amount in force. However, the amount of provision (or reversal of) policy reserves is also affected by the overall mix of outstanding policies underwritten by us. For example, a relative increase in the policy amount in force of products that incorporate savings features, such as endowment insurance products and interest rate-sensitive whole life insurance products, will generally result in an increase in the amount of provision for policy reserves, even if the total policy amount in force remains constant. In addition, because policy reserves include the value of assets in our separate accounts, fluctuations in such value also impact the amount of provision for (or reversal of) policy reserves.

The provision for outstanding claims, another component of provision for policy reserves is the provision for a reserve used to fund payments that are due, but have not yet been paid, on outstanding claims as of the end of the fiscal year.

Deferred Policy Acquisition Costs

We capitalize costs that are directly related to selling new insurance policies, including variable insurance policies recorded in separate accounts. These costs include commissions paid to financial planners and other agents, various other costs to issue and underwrite policies (including promotion expenses and printing and advertising expenses) and certain variable branch office expenses. The capitalized amounts are known as "deferred policy acquisition costs" and are recorded as an asset on our statement of financial position. Our total deferred policy acquisition costs amounted to Won 2,288 billion as of 30 September 2021**.** Deferred policy acquisition costs are generally amortized using the straight-line method over the premium payment term of the relevant insurance contract, or over seven years, whichever is shorter, with the amount amortized recorded as "amortization of deferred policy acquisition costs" in our statement of comprehensive income. If there are any unamortized policy acquisition costs remaining as of the date of termination or invalidation of an insurance contract, such remainder is amortized in its entirety in the accounting year in which the contract is terminated or invalidated.

If we were to experience a significant increase in lapse or surrender rates on policies, we would be required to evaluate whether this experience called into question our ability to recover all or a portion of the deferred acquisition costs, and we would be required to write off some or all of the deferred policy acquisition costs if we concluded that we could not recover them. Such write-offs of deferred policy acquisition costs are typically covered by penalties charged to the policyholder of such lapsed or surrendered policies, as well as by recoupment of portions of the commissions paid to financial planners who sold such policies. While write-offs of deferred policy acquisition costs would not directly affect our cash flow or liquidity, it may positively or negatively affect our reported earnings and level of capital depending on the extent of coverage through penalties and recoupment of commissions as described above.

Valuation of Financial Instruments

In our insurance business, we maintain a diversified investment portfolio to generate investment returns to support our liabilities to our policyholders. We invest insurance premiums received from our policyholders in domestic debt securities (including Government and Government-related bonds, special purpose bonds, corporate bonds and financial institution bonds), loans (including policy loans, unsecured credit loans and loans secured by real estate and other assets), foreign currency denominated securities (including foreign-currency denominated bonds, beneficiary certificates and structured securities), beneficiary certificates, real property investments and domestic equity securities and derivatives, including as part of our proprietary investment activities. We also hold derivative instruments for the purpose of hedging our foreign exchange and, to a lesser extent, interest rate exposures as part of our risk management activities in both our life insurance and general insurance businesses.

Our investments in financial assets are classified as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity financial assets or (iv) available-for-sale financial assets, as appropriate, and are initially recognized at fair value plus transaction costs, other than financial assets at fair value through profit or loss, which are initially recognized at fair value with transaction costs being expensed. Financial assets that are acquired principally to generate profits from short-term fluctuations in price are classified as financial assets at fair value through profit or loss. Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables, and other non-derivative financial assets with fixed or determinable payments and fixed maturities that we have the positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Financial assets that are not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables are classified as available-for-sale financial assets. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions. The accounting method for the different categories of financial assets after the initial measurement is as follows:

- ***Financial assets at fair value through profit or loss***. Financial assets at fair value through profit or loss are measured at fair value, with net changes in fair value presented as finance costs (for negative net changes in fair value) or finance income (for positive net changes in fair value) in our statement of comprehensive income.

- ***Loans and receivables***. Loans and receivables are measured at amortized cost using the effective interest rate ("**EIR**") method, less impairment. The EIR amortization is included as finance income in our statement of comprehensive income, and the losses arising from impairment are recognized in our statement of comprehensive income as finance costs for loans and as cost of sales or other operating expenses for receivables.

- ***Held-to-maturity financial assets.*** Held-to-maturity investments are measured at amortized cost using the EIR method, less impairment. The EIR amortization is included as finance income in our statement of comprehensive income, and the losses arising from impairment are recognized as finance costs in our statement of comprehensive income.

- ***Available-for-sale financial assets***. Available-for-sale financial assets are measured at fair value, with unrealized gains or losses recognized in other comprehensive income.

Our classification of a particular investment in financial assets depends to a large extent on our subjective intent with respect to the investment. If we were to change our investment intent with respect to a holding of financial assets, we would change our classification of such holding, and consequently we would have to change the measurement basis of such financial assets. A change in the basis for determining the fair value of a particular investment in financial assets could result in a change in the valuation of such investment as recorded on our statement of financial position, which could in turn require us to reflect a change in such valuation of such investment as recorded on our statement of financial position, which could in turn require us to reflect a change in such valuation in our statement of comprehensive income. For further information regarding the classification of our investments in financial assets, see Note 6 of the notes to our interim consolidated financial statements as of 30 September 2021 and for the nine months ended 30 September 2021 and 2020.

In addition, there are different methods by which we assess the fair value of our investments in financial assets. If available, published price quotations in an active market provide the best estimate of fair value. In the event that the market for a financial asset is not active, a valuation technique is used. Valuation techniques include reference to recent arm's length market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. However, the main input variables used to determine fair value through a valuation technique are not always observable in the market. We categorize our financial instruments into a three-level hierarchy based on the fair value measurements used, as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities.

- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

For further information regarding the portion of our financial assets that were measured at fair value using Level 2 or Level 3 valuation techniques, see Note 5 of the notes to our interim consolidated financial statements as of 30 September 2021 and for the nine months ended 30 September 2021 and 2020.

We also recognize losses on impairment of loans and receivable, held-to-maturity financial assets and available-for-sale financial assets if there is objective evidence of impairment, which determination requires significant judgment. For information regarding how we recognize and account for impairment of our financial assets, see Note 31 of the notes to our interim consolidated financial statements as of 30 September 2021 and for the nine months ended 30 September 2021 and 2020.

Defined Benefit Obligation

We operated both defined contribution and defined benefit pension plans for our employees. Contributions to the defined contribution plan are recognized as employee benefit expenses in the period in which an employee has rendered services. The service cost of the defined benefit plan and other post-employment medical benefits, as well as the present value of the defined benefit obligation, are determined using actuarial valuations. Under K-IFRS, the retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation, less the fair value of plan assets and adjustments for unrecognized past service cost. The defined benefit obligation is determined at the end of each reporting period by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is computed by discounting estimated future cash outflows by the market yield of high-quality corporate bonds with a maturity approximating the estimated maturity of the benefit payments in the same currency. Actuarial gains and losses arising from a change in actuarial assumptions or experience adjustments (i.e., the gains and losses arising from a change in actuarial assumptions and what has actually occurred) are recognized in other comprehensive income when incurred.

An actual valuation involves making various assumptions, which include determinations regarding discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in their valuation and their long-term nature, defined benefit obligations are sensitive to changes in the underlying assumptions. As a result of changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in our defined benefit obligations. The following assumptions were used in the actuarial assessments related to our defined benefit plan as of the dates indicated:

	As of 31 December		
	2018	2019	2020
	(in percentages)		
Discount rate	3.38 ~ 3.97	1.95 ~ 4.01	2.86 ~ 3.44
Future salary increase rate	3.06 ~ 5.62	2.86 ~ 5.63	3.09 ~ 4.63

For an analysis of the sensitivity of our defined benefit obligation to changes in actuarial assumptions, see Note 21 of the notes to our annual consolidated financial statements as of and for the years ended 31 December 2020 and 2019.

Major Components of Our Statements of Comprehensive Income

Operating Revenue

We derive our operating revenues primarily from the following sources:

- premium income on life insurance products sold to retail and institutional customers (including the portion of premiums received on variable insurance policies that relates to acquisition and operating costs) and, on a consolidated basis, from property and casualty insurance products offered by HGI;

- reinsurance income, consisting of claims and commissions received under our ceding arrangements with various reinsurance companies to spread our insurance risk;

- interest income from our holdings of debt securities and bank deposits, as well as from loans;

- gain on valuation and disposal of financial assets held by us;

- gain on foreign currency transactions, consisting of gains on foreign currency translations and transactions related to our business operations;

- fees from separate accounts, which consist of commissions earned, which primarily comprises periodic management fees we earn on our management and administration of separate account assets, surrender charges that relate to unamortized deferred acquisition costs of variable insurance policies (which we earn on policies that are surrendered or terminated), as well as the risk premium and the portion of premiums received on variable insurance policies that relates to guaranteed minimum protection, annuity or savings benefits provided under such policies; and

- separate account revenue (which corresponds to, and offsets, separate account expenses), consisting of interest income, investment income and other income on our retirement pension products that provide fixed-level benefits.

Operating Expenses

Our operating expenses are primarily related to the following:

- changes in reserves for insurance contracts. See *"— Critical Accounting Policies — Policy Reserves*" for details for our policy reserves;

- insurance claims paid to policyholders, in the form of:

    - insurance benefits, comprising predetermined claims and benefits paid either periodically under annuities, upon the occurrence of covered events under policies that result in the expiration of such policies, such as the death of the insured person under whole life insurance policies or upon the occurrence of covered events such as the diagnosis of covered critical illnesses under health insurance policies;

    - cash surrender amounts paid upon surrender or withdrawal of policies; and

    - dividends on certain participating insurance contracts;

- reinsurance expenses paid to various reinsurance companies in connection with our ceding arrangements to diversify our insurance risk;

- business expenses consist primarily of wages and salaries, bonuses and benefits for our asset management personnel, commissions paid in connection with our general account asset management, outsourcing fees related to our investment activities, and related taxes and dues;

- amortization of deferred acquisition costs, which include commissions paid to financial planners and other agents and various other costs to issue and underwrite policies (including promotion expenses and printing and advertising expenses) (see "— *Critical Accounting Policies — Deferred Policy Acquisition Costs*");

- loss on valuation and disposal of financial assets held by us;

- loss on foreign currency transactions, consisting of gains on foreign currency translations and transactions related to our business operations;

- fees for separate accounts are expenses relating to our pension products for which principal and interests are guaranteed and our retirement insurance products for which principal and interests are guaranteed, consisting of claim expenses, provisions, commissions, investment losses and other expenses, which are set off by the same amount recorded as separate account revenue described above; and

- separate account expenses (which correspond to, and offset, separate account revenue), consisting of increase in investment contract liabilities, separate account management fees and other expenses on our retirement pension products that provide fixed-level benefits.

Non-Operating Income and Expenses

Our non-operating income consists primarily of share of profit of associates and joint ventures, gain on disposal of investments in associates, gain on disposal of property and equipment and investment properties and other miscellaneous non-operating income. Our non-operating expenses consist primarily of share of loss of associates and joint ventures, donations, loss on disposal of investments in associates or investment properties, impairment loss on tangible assets and other miscellaneous non-operating expenses.

Income Tax Expenses

Our income tax expense consists of current income tax and deferred income tax reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, other than the portions reflected directly in equity. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the related temporary differences are expected to reverse. See Note 39 of the notes to our annual consolidated financial statements for 2020 and 2019.

Results of Operations – Nine Months Ended 30 September 2021 compared to Nine Months Ended 30 September 2020

The following table presents selected statement of comprehensive income data and changes therein for the nine months ended 30 September 2021 and the nine months ended 30 September 2020.

	For the nine months ended 30 September		Changes 3Q 2020 versus 3Q 2021	
	2020	2021	Amount	%
	(in billions of Won or percentage)			
Operating revenue	₩ 19,331	₩ 20,423	₩ 1,092	5.6%
Operating expenses	18,901	19,495	594	3.1
Operating profit	430	928	498	115.9
Non-operating revenue	25	356	331	1,324.0
Non-operating expenses	31	20	(11)	(35.5)
Profit before income tax	424	1,264	840	198.0
Income tax expenses	112	383	271	240.7
Profit for the year	₩ 312	₩ 881	₩ 569	182.6%

Operating Revenue

The following table presents a breakdown of our operating revenues and changes therein for the nine months ended 30 September 2021 and the nine months ended 30 September 2020.

	For the nine months ended 30 September		Changes 3Q 2020 versus 3Q 2021	
	2020	2021	Amount	%
	(in billions of Won or percentage)			
Insurance premium income	₩ 12,191	₩ 12,286	₩ 95	0.8%
Reinsurance income	936	973	37	3.9
Interest income	2,312	2,215	(97)	(4.2)
Gain on compensation receivables	*N/M*	–	*N/M*	*N/A*
Gain on valuation and disposal of financial assets at fair value through profit or loss	135	327	192	141.3
Gain on valuation and disposal of available-for-sale financial assets	848	665	(183)	(21.6)
Gain on foreign currency transaction	1,012	1,999	987	97.4
Gain on valuation and disposal of derivatives	424	390	(34)	(8.0)
Other income	602	707	105	17.4
Fees from separate accounts	737	724	(13)	(1.8)
Separate account revenue	134	139	5	3.6
Total operating revenue	**₩ 19,331**	**₩ 20,423**	**₩ 1,092**	**5.6%**

N/M = Not Meaningful

N/A= Not Applicable

Operating revenue increased by 5.6%, or Won 1,092 billion, from Won 19,331 billion in the nine month ended 30 September 2020 to Won 20,423 billion in the nine months ended 30 September 2021, primarily due to an increase in our gain on foreign currency translation and to a lesser extent an increase in our gain on valuation and disposal of financial assets at fair value through profit or loss.

Insurance premium income. Our insurance premium income increased by 0.8%, or Won 95 billion, from Won 12,191 billion in the nine months ended 30 September 2020 to

Won 12,286 billion in the nine months ended 30 September 2021, due to increases in insurance premium income from HLI protection-type and annuities products, as well as HGI property and casualty insurance products, which were partially offset by a decrease in HLI savings products. The 2.8% increase in insurance premium income from HLI protection-type products, from Won 4,446 billion in the nine months ended 30 September 2020 to Won 4,572 billion in the nine months ended 30 September 2021, was attributable mainly due to our protection-type products focused sales strategy leading to an increase in the sale of general protection-type products, which have higher retention rates compared to our other products. The 6.7% increase in HLI insurance premium income from annuities products, from Won 1,660 billion in the nine months ended 30 September 2020 to Won 1,772 billion in the nine months ended 30 September 2021, was attributable mainly to an increase in the sales of high margin annuities products through our bancassurance channel. The 17.8% decrease in HLI insurance premium income from savings products, from Won 1,563 billion in the nine months ended 30 September 2020 to Won 1,286 billion in the nine months ended 30 September 2021, was attributable mainly to the winding down of our lump-sum payment strategy in 2021, which resulted in a decrease in lump-sum payments in the nine months ended 30 September 2021 compared to the nine months ended 30 September 2020 when we pursued such policy.

Reinsurance income. Our reinsurance income increased by 3.9%, or Won 37 billion, from Won 936 billion in the nine months ended 30 September 2020 to Won 973 billion in the nine months ended 30 September 2021 primarily due to an increase in reinsurance income from reinsurance claims recovered from HGI long-term insurance products, which was partially offset by a decrease in reinsurance income from reinsurance claims recovered from HGI general insurance products. The 9.6% increase in reinsurance income from reinsurance claims recovered from HGI long-term insurance products, from Won 528 billion in the nine months ended 30 September 2020 to Won 578 billion in the nine months ended 30 September 2021, was attributable mainly to an increase in the amount of insurance claims of HGI long-term insurance products. The 19.5% decrease in reinsurance income from reinsurance claims recovered from HGI general insurance products, from Won 110 billion in the nine months ended 30 September 2020 to Won 88 billion in the nine months ended 30 September 2021, was attributable mainly to a decrease in the amount of insurance claims of HGI corporate general insurance products.

Interest income. Our interest income decreased by 4.2%, or Won 97 billion, from Won 2,312 billion in the nine months ended 30 September 2020 to Won 2,215 billion in the nine months ended 30 September 2021, primarily due to a decrease in the interest income of HLI.

Gain/loss on valuation and disposal of financial assets at fair value through profit or loss. Our gain on valuation and disposal of financial assets at fair value through profit or loss, net of our loss on valuation and disposal of financial assets at fair value through profit or loss, increased by 294.3%, or Won 156 billion, from Won 53 billion in the nine months ended 30 September 2020 to Won 209 billion in the nine months ended 30 September 2021, primarily due to an increase in gain from trading activities at our various consolidated investment vehicles in which we own beneficiary certificates.

Gain/loss on valuation and disposal of available-for-sale financial assets. Our gain on valuation and disposal of available-for-sale financial assets, net of our loss on valuation and disposal of available-for-sale financial assets, increased by 12.1%, or Won 64 billion, from Won 527 billion in the nine months ended 30 September 2020 to Won 590 billion in the nine months ended 30 September 2021, primarily due to a decrease in losses arising from impairment of domestic securities.

Gain/loss on foreign currency transactions and translations. Our gain on foreign currency transactions and translations, net of our loss on foreign currency transactions and translations, increased by 149.1%, or Won 1,145 billion, from Won 768 billion in the nine months ended

30 September 2020 to Won 1,912 billion in the nine months ended 30 September 2021, primarily due to an increase in gain on foreign currency translation.

Gain/loss on valuation and disposal of derivatives. Our loss on valuation and disposal of derivatives, net of our gain on valuation and disposal of derivatives, increased by 102.1%, or Won 920 billion, from Won 901 billion in the nine months ended 30 September 2020 to Won 1,822 billion in the nine months ended 30 September 2021, primarily due to an increase in loss on valuation of derivatives related to hedging on our foreign currency positions.

Fees from separate accounts and separate account revenue. Our fees from separate accounts decreased by 1.8%, or Won 13 billion, from Won 737 billion in the nine months ended 30 September 2020 to Won 724 billion in the nine months ended 30 September 2021, primarily due to a decrease in the separate account revenue of HLI. Our separate account revenue increased by 3.6%, or Won 5 billion, from Won 134 billion in the nine months ended 30 September 2020 to Won 139 billion in the nine months ended 30 September 2021. Separate account revenues are largely offset by substantially the same amounts of separate account expenses, whereby they have virtually no effect on our profit and loss on a net basis. See *"— Major Factors Affecting Our Results of Operations — Separate Account Assets and Liabilities"* above.

Operating Expenses

The following table presents a breakdown of our operating expenses and changes therein for the nine months ended 30 September 2021 and the nine months ended 30 September 2020.

	For the nine months ended 30 September		Changes 30 September 2020 versus 30 September 2021	
	2020	2021	Amount	%
	(in billions of Won or percentage)			
Change in reserves for insurance contracts	₩ 3,448	₩ 3,140	₩ (308)	(8.9)%
Insurance claims paid	9,214	9,558	344	3.7
Reinsurance expenses	1,003	1,112	109	10.8
Business expenses	1,504	1,455	(49)	(3.2)
Amortization of deferred policy acquisition costs	929	921	(8)	(0.9)
Property administration expenses	95	105	10	10.2
Claim handling expenses	88	91	3	3.5
Loss on compensation receivables	–	1	1	*N/A*
Loss on valuation and disposal of financial assets at fair value through profit or loss	83	118	35	42.2
Loss on valuation and disposal of available-for-sale financial assets	321	74	(247)	(76.9)
Loss on valuation and disposal of loans and other receivables	75	22	(53)	(71.1)
Loss on foreign currency transactions	245	86	(159)	(64.7)
Loss on valuation and disposal of derivatives	1,325	2,212	887	66.9
Other expenses	396	438	42	10.6
Fees for separate accounts	41	23	(18)	44.8
Separate account expenses	134	139	5	3.6
Total operating expenses	**₩ 18,901**	**₩ 19,495**	**₩ 594**	**3.1%**

N/A=Not Applicable

Our operating expenses increased by 3.1%, or Won 594 billion, from Won 18,901 billion in the nine months ended 30 September 2020 to Won 19,495 billion in the nine months ended 30 September 2021, primarily due to increases in loss on valuation and disposal of derivatives and insurance claims paid, which were partially offset in a decrease in change in reserve for insurance contracts.

Specifically, our operating expenses increased primarily due to the following:

- Our insurance claims paid increased by 3.7%, or Won 344 billion, from Won 9,214 billion in the nine months ended 30 September 2020 to Won 9,558 billion in the nine months ended 30 September 2021, primarily due to a 12% increase in insurance expenses, from Won 2,974 billion in the nine months ended 30 September 2020 to Won 3,331 billion in the nine months ended 30 September 2021, which was attributable mainly due to an increase in the amount of pay-outs of matured policies, particularly pay-outs of 10-year savings insurance products with minimum guaranteed interest rates as demand for such long-term high-interest insurance products increased in the corresponding periods 10 years ago.

- Our reinsurance expenses increased by 10.8%, or Won 109 billion, from Won 1,003 billion in the nine months ended 30 September 2020 to Won 1,112 billion in the nine months ended 30 September 2021, primarily due to a 10.9% increase in non-life insurance reinsurance expenses, from Won 861 billion in the nine months ended 30 September 2020 to Won 955 billion in the nine months ended 30 September 2021, which was attributable mainly due to an increase in the sales of CGI automobile insurance products and a corresponding increase in the reinsurance of such policies.

- Business expenses decreased by 3.2%, or Won 49 billion, from Won 1,504 billion in the nine months ended 30 September 2020 to Won 1,455 billion in the nine months ended 30 September 2021, primarily due to decreases in agent commissions and sales office operations costs, which were partially offset by an increase in sales promotional expenses. The 46.3% decrease in agent commissions, from Won 646 billion in the nine months ended 30 September 2020 to Won 347 billion in the nine months ended 30 September 2021, was attributable to the cap on the commission a financial planner could earn during the first year of newly subscribed insurance policies, which was put into effect by the FSS starting from January 2021. The 49.0% decrease in sales office operations costs, from Won 78 billion in the nine months ended 30 September 2020 to Won 40 billion in the nine months ended 30 September 2021, was attributable jointly to our cost saving measures, as well as reduced sales office operations due to the impact of the COVID-19 pandemic on in-person operations. The 9.5% increase in sales promotional expenses, from Won 153 billion in the nine months ended 30 September 2020 to Won 167 billion in the nine months ended 30 September 2021, was attributable due to the spin-off of HLI's financial planner sales team into HLFS in April 2021 and agent commission paid to HLFS financial planners via HLFS being recognized as sales promotional expenses.

For explanation of changes (and their net effect on our profit and loss) in loss on valuation and disposal of financial assets at fair value through profit or loss, loss on valuation and disposal of available-for-sale financial assets, loss on foreign currency transactions, and loss on valuation and disposal of derivatives, see *"— Operating Revenue"* above.

Operating Profit

Due to the factors described above, our operating profit increased by 115.9%, or Won 498 billion, from Won 430 billion in the nine months ended 30 September 2020 to Won 928 billion in the nine months ended 30 September 2021. Our operating margin increased from 2.2% in the nine months ended 30 September 2020 to 4.5% in the nine months ended 30 September 2021.

Non-Operating Revenues/Expenses (Net)

We recorded non-operating expenses, net of non-operating income, of Won 6 billion in the nine months ended 30 September 2020 as compared to non-operating income, net of non-operating expenses, of Won 336 billion in nine months ended 30 September 2021, primarily reflecting gains on bargain purchase due to the acquisition of additional shares of Hanwha I&S in August 2021, which resulted in it becoming our consolidated subsidiary, and on disposal of investments in associates in the nine months ended 30 September 2021 compared to none in the nine months ended 30 September 2020.

Income Tax Expense

Our income tax expenses increased by 240.7%, or Won 271 billion, from Won 112 billion in the nine months ended 30 September 2020 to Won 383 billion in the nine months ended 30 September 2021, primarily as a result of the increase in our profit before income tax. The expected weighted average annual income tax rate used for the year ended 31 December 2021 is 30.3%.

Profit for the Period

Due to the factors described above, our profit for the period increased by 182.6%, or Won 569 billion, from Won 312 billion in the nine months ended 30 September 2020 to Won 881 billion in the nine months ended 30 September 2021.

Results of Operations — 2020 compared to 2019

The following table presents selected statement of comprehensive income data and changes therein for 2019 and 2020.

	For the year ended 31 December		Changes 2019 versus 2020	
	2019	2020	Amount	%
	(in billions of Won or percentage)			
Operating revenue	₩ 24,978	₩ 26,223	₩ 1,245	5.0%
Operating expenses	24,929	25,846	917	3.7
Operating profit	49	377	328	669.4
Non-operating revenue	62	41	(21)	(33.9)
Non-operating expenses	76	110	34	44.7
Profit before income tax	35	308	273	780.0
Income tax expenses	(24)	67	91	379.2
Profit for the year	₩ 59	₩ 241	₩ 182	308.5%

Operating Revenue

The following table presents a breakdown of our operating revenues and changes therein for 2019 and 2020.

	For the year ended 31 December		Changes 2019 versus 2020	
	2019	2020	Amount	%
	(in billions of Won or percentage)			
Insurance premium income	₩ 15,588	₩ 16,228	₩ 640	4.1%
Reinsurance income	1,495	1,258	(237)	(15.8)
Interest income	2,988	3,000	12	0.4
Gain on compensation receivables	3	–	(3)	*N/A*
Gain on valuation and disposal of financial assets at fair value through profit or loss	151	166	15	10.1
Gain on valuation and disposal of available-for-sale financial assets	576	1,186	610	106.0
Gain on foreign currency transaction	1,403	698	(705)	(50.3)
Gain on valuation and disposal of derivatives	751	1,594	843	112.4
Other income	837	916	79	9.4
Fees from separate accounts	988	993	5	0.5
Separate account revenue	198	184	(14)	(7.3)
Total operating revenue	**₩ 24,978**	**₩ 26,223**	**₩ 1,245**	**5.0%**

N/A=Not Applicable

Operating revenue increased by 5.0%, or Won 1,245 billion, from Won 24,978 billion in 2019 to Won 26,223 billion in 2020, primarily due to increases in our gain on valuation and disposal of derivatives, insurance premium income and gain on valuation and disposal of available-for-sale financial assets, which were partially offset by a decrease in a gain on foreign currency transaction.

Insurance premium income. Our insurance premium income increased by 4.1%, or Won 640 billion, from Won 15,588 billion in 2019 to Won 16,228 billion in 2020, due to increases in insurance premium income from HLI protection-type and savings products, as well as HGI long-term insurance products, which were partially offset by a decrease in HGI general products. The 5.6% increase in insurance premium income from HLI protection-type products, from Won 5,645 billion in 2019 to Won 5,959 billion in 2020, was attributable mainly due to our protection-type products focused sales strategy leading to an increase in the sale of general protection-type products, which have higher retention rates compared to our other products. The 17.4% increase in insurance premium income from savings products, from Won 1,647 billion in 2019 to Won 1,934 billion in 2020, was attributable mainly to an increase in sales of savings products through our bancassurance channel, particularly those of savings products with lump sum payment of premiums. The 19.2% decrease in insurance premium income from HGI general products, from Won 588 billion in 2019 to Won 475 billion in 2020, was attributable mainly to a decrease in the sale of such products.

Reinsurance income: Our reinsurance income decreased by 15.8%, or Won 237 billion, from Won 1,495 billion in 2019 to Won 1,258 billion in 2020, primarily due to decreases in reinsurance income from reinsurance claims recovered from HGI general insurance products and HGI long-term insurance products. The 45.8% decrease in reinsurance income from reinsurance claims recovered from HGI general insurance products, from Won 269 billion in 2019 to Won 145 billion in 2020, was attributable mainly to a decrease in the amount of insurance claims of HGI general insurance products. The 12.8% decrease in reinsurance income from reinsurance claims recovered from HGI long-term insurance products, from Won 814 billion in 2019 to Won 710 billion in 2020, was attributable mainly to an adjustment in the coverage ratio.

Interest income. Our interest income increased slightly by 0.4%, or Won 12 billion, from Won 2,988 billion in 2019 to Won 3,000 billion in 2020.

Gain/loss on valuation and disposal of financial assets at fair value through profit or loss. Our gain on valuation and disposal of financial assets at fair value through profit or loss, net of our loss on valuation and disposal of financial assets at fair value through profit or loss, decreased by 2.0%, or Won 2 billion, from Won 108 billion in 2019 to Won 106 billion in 2020, primarily due to an increase in loss from trading activities at our various consolidated investment vehicles in which we own beneficiary certificates.

Gain/loss on valuation and disposal of available-for-sale financial assets. Our gain on valuation and disposal of available-for-sale financial assets, net of our loss on valuation and disposal of available-for-sale financial assets, increased by 289.7%, or Won 595 billion, from Won 205 billion in 2019 to Won 800 billion in 2020, primarily due to an increase in gain on disposal of bond securities.

Gain/loss on foreign currency transactions and translations. We recorded a gain on foreign currency transactions and translations, net of our loss on foreign currency transactions and translations, of Won 1,037 billion in 2019 as compared to a loss on foreign currency transactions and translations, net of our gain on foreign currency transactions and translations, of Won 852 billion in 2020, primarily due to a decrease in gain on foreign currency translations.

Gain/loss on valuation and disposal of derivatives. We recorded a loss on valuation and disposal of derivatives, net of our gain on valuation and disposal of derivatives, of Won 1,017 billion in 2019 as compared to a gain on valuation and disposal of derivatives, net of our gain on valuation and disposal of derivatives, of Won 432 billion in 2020, primarily due to an increase in gain on valuation of derivatives related to hedging on our foreign currency positions.

Fees from separate accounts and separate account revenue. Our fees from separate accounts increased slightly by 0.5%, or Won 5 billion, from Won 988 billion in 2019 to Won 993 billion in 2020. Our separate account revenue decreased by 7.3%, or Won 14 billion, from Won 198 billion in 2019 to Won 184 billion in 2020. Separate account revenues are largely offset by substantially the same amounts of separate account expenses, whereby they have virtually no effect on our profit and loss on a net basis. See *"— Major Factors Affecting Our Results of Operations — Separate Account Assets and Liabilities"* above.

Operating Expenses

The following table presents a breakdown of our operating expenses and changes therein for 2019 and 2020.

	For the year ended 31 December		Changes 2019 versus 2020	
	2019	2020	Amount	%
	(in billions of Won or percentage)			
Change in reserves for insurance contracts	₩ 4,646	₩ 4,687	₩ 41	0.9%
Insurance claims paid	11,880	12,349	469	4.0
Reinsurance expenses	1,584	1,337	(247)	(15.6)
Business expenses	1,985	2,015	30	1.5
Amortization of deferred policy acquisition costs	1,252	1,250	(2)	(0.1)
Property administration expenses	131	123	(8)	(5.8)
Claim handling expenses	116	117	1	1.0
Loss on compensation receivables	—	2	2	*N/A*
Loss on valuation and disposal of financial assets at fair value through profit or loss	43	60	17	40.5
Loss on valuation and disposal of available-for-sale financial assets	370	386	16	4.2
Loss on valuation and disposal of loans and other receivables	128	115	(13)	(10.5)
Loss on foreign currency transactions	367	1,550	1,183	322.9
Loss on valuation and disposal of derivatives	1,767	1,162	(605)	(34.3)
Other expenses	440	454	14	3.2
Fees for separate accounts	21	54	33	154.4
Separate account expenses	198	184	(14)	(7.3)
Total operating expenses	**₩ 24,929**	**₩ 25,846**	**₩ 917**	**3.7%**

N/A=Not Applicable

Our operating expenses increased by 3.7%, or Won 917 billion, from Won 24,929 billion in 2019 to Won 25,846 billion in 2020, primarily due to increases in loss on foreign currency transactions and insurance claims paid, which we partially offset by a decrease in a loss on valuation and disposal of derivatives.

Specifically, our operating expenses increased primarily due to the following:

- Our insurance claims paid increased by 4.0%, or Won 469 billion, from Won 11,880 billion in 2019 to Won 12,349 billion in 2020, primarily due to a 6.2% increase in refund expenses, from Won 7,717 billion in 2019 to Won 8,195 billion in 2020, which was attributable to an increase in the cancellation of insurance policies as policyholders sought to hold cash due to the uncertainties presented by the COVID-19 pandemic.

- Our reinsurance expenses decreased by 15.6%, or Won 247 billion, from Won 1,584 billion in 2019 to Won 1,337 billion in 2020, mainly due to a 18.7% decrease in HGI reinsurance expenses, from Won 1,408 billion in 2019 to Won 1,145 billion in 2020, which was attributable to an adjustment in the payment ratio.

- Business expenses increased by 1.5%, or Won 30 billion, from Won 1,985 billion in 2019 to Won 2,015 billion in 2020, primarily due to a decrease in deferred policy acquisition costs and increases in salaries and bonus and post-employment benefits. The 4.1% decrease in deferred policy acquisition costs, from Won 1,332 billion in 2019 to Won 1,277 billion in 2020, was due to a corresponding decrease in costs related to the sale of insurance policies, such branch operations, promotional expenses, among other costs. For accounting of deferred policy acquisition costs, see *"— Critical Accounting Policies — Deferred Policy Acquisition Costs*" above. The 9.5% increase in salaries and bonus, from Won 502 billion in 2019 to Won 549 billion in 2020, was attributable to an increase in the number of employees and a higher salary scale, as well as promotion of our employees and payment of a special bonus. The 39.7% increase in post-employment benefits, from Won 62 billion in 2019 to Won 86 billion in 2020, was attributable to an increase in the number of employees applying for retirement or employment transition benefits in response to us offering special voluntary retirement packages to certain of our employees in March 2020.

For explanation of changes (and their net effect on our profit and loss) in loss on valuation and disposal of financial assets at fair value through profit or loss, loss on valuation and disposal of available-for-sale financial assets, loss on foreign currency transactions, and loss on valuation and disposal of derivatives, see *"— Operating Revenue"* above.

Operating Profit

Due to the factors described above, our operating profit increased by 662.6%, or Won 327 billion, from Won 49 billion in 2019 to Won 377 billion in 2020. Our operating margin increased from 0.2% in 2019 to 1.4% in 2020.

Non-Operating Revenues/Expenses (Net)

Our non-operating expenses, net of non-operating income, increased by 373.7%, or Won 54 billion, from Won 15 billion in 2019 to Won 69 billion in 2020, primarily reflecting an increase in net miscellaneous loss attributable to an increase in provisioning on our Baro pension plan, one of our annuity products, currently the subject of litigation with policyholders. See "*Business—Legal and Regulatory Proceedings*."

Income Tax Benefit/Expense

We recorded an income tax benefit of Won 24 billion in 2019 as compared to an income tax expenses of Won 67 billion in 2020, reflecting the increase in our profit before income tax. We recorded a negative effective tax rate of 68.2% in 2019 as compared to an effective tax rate of 21.7% in 2020, primarily due to increase in deductions that are not recognized as expenses.

Profit for the Year

Due to the factors described above, our profit for the year increased by 311.2%, or Won 183 billion, from Won 59 billion in 2019 to Won 241 billion in 2020.

Results of Operations — 2019 compared to 2018

The following table presents selected statement of comprehensive income data and changes therein for 2018 and 2019.

	For the year ended 31 December		Changes 2018 versus 2019	
	2018	2019	Amount	%
	(in billions of Won or percentage)			
Operating revenues	₩ 23,431	₩ 24,978	₩ 1,638	6.6%
Operating expenses	22,780	24,929	2,149	9.4
Operating profit	650	49	(601)	(92.4)
Non-operating income	50	62	12	23.9
Non-operating expenses	64	76	12	19.9
Profit before income tax	636	35	(601)	(94.5)
Income tax expenses (benefit)	190	(24)	(214)	*N/A*
Profit for the year	₩ 447	₩ 59	₩ (388)	(86.9)%

N/A = Not Applicable

Operating Revenue

The following table presents a breakdown of our operating revenue and changes therein for 2018 and 2019.

	For the year ended 31 December		Changes 2018 versus 2019	
	2018	2019	Amount	%
	(in billions of Won or percentage)			
Insurance premium income	₩ 14,926	₩ 15,588	₩ 662	4.4%
Reinsurance income	1,356	1,495	139	10.3
Interest income	3,046	2,988	(58)	(1.9)
Gain on compensation receivables	4	3	(1)	(14.7)
Gain on valuation and disposal of financial assets at fair value through profit or loss	57	151	94	165.6
Gain on valuation and disposal of available-for-sale financial assets	273	576	303	110.9
Gain on foreign currency transaction	1,073	1,403	330	30.8
Gain on valuation and disposal of derivatives	464	751	287	61.8
Other income	928	837	(91)	(9.7)
Fees from separate accounts	1,116	988	(128)	(11.5)
Separate account revenue	188	198	10	5.5
Total operating revenue	**₩ 23,431**	**₩ 24,978**	**₩ 1,547**	**6.6%**

Operating revenues increased by 6.6%, or Won 1,547 billion, from Won 23,431 billion in 2018 to Won 24,978 billion in 2019, primarily due to increases in our insurance premium income, gain on foreign currency transaction and gain on valuation and disposal of available-for-sale financial assets.

Insurance premium income. Our insurance premium income increased by 4.4%, or Won 662 billion, from Won 14,926 billion in 2018 to Won 15,588 billion in 2019, due to increases in insurance premium income from HGI long-term insurance products and HLI protection-type insurance products. The 6.5% increase in insurance premium income from HGI long-term insurance products, from Won 4,293 billion in 2018 to Won 4,570 billion in 2019, was attributable mainly to an increase in the sale of HGI long-term insurance products. The 4.3% increase in insurance premium income from HLI protection-type insurance products, from Won 5,411 billion in 2018 to Won 5,645 billion in 2019, was attributable mainly to due to our protection-type products focused sales strategy leading to an increase in the sale of general protection-type products, which have higher retention rates compared to our other products.

Reinsurance income: Our reinsurance income increased by 10.3%, or Won 139 billion, from Won 1,356 billion in 2018 to Won 1,495 billion in 2019, primarily due to increases in reinsurance income from HGI general and long-term insurance products. The 20.1% increase in reinsurance income from HGI general insurance products, from Won 274 billion in 2018 to Won 329 billion in 2019, was attributable mainly to an increase in the amount of insurance claims of HGI general insurance products, particularly of other special insurance products. The 12.5% increase in reinsurance income from HGI long-term insurance products, from Won 675 billion in 2019 to Won 759 billion in 2020, was attributable mainly to an increase in the amount of insurance claims of HGI long-term insurance products.

Interest income. Our interest income decreased by 1.9%, or Won 58 billion, from Won 3,046 billion in 2018 to Won 2,988 billion in 2019.

Gain/loss on valuation and disposal of financial assets at fair value through profit or loss. Our gain on valuation and disposal of financial assets at fair value through profit or loss, net of our loss on valuation and disposal of financial assets at fair value through profit or loss, increased by 719.9%, or Won 95 billion, from Won 13 billion in 2018 to Won 108 billion in 2019, primarily due to an increase in gain from trading activities at our various consolidated investment vehicles in which we own beneficiary certificates.

Gain/loss on valuation and disposal of available-for-sale financial assets. Our gain on valuation and disposal of available-for-sale financial assets, net of our loss on valuation and disposal of available-for-sale financial assets, increased by 74.2%, or Won 87 billion, from Won 118 billion in 2018 to Won 205 billion in 2019, primarily due to an increase in gain on disposal of bond securities.

Gain/loss on foreign currency transactions and translations. Our gain on foreign currency transactions and translations, net of our loss on foreign currency transactions and translations, increased by 23.6%, or Won 198 billion, from Won 839 billion in 2018 to Won 1,037 billion in 2019, primarily due to an increase in gain on foreign currency translations.

Gain/loss on valuation and disposal of derivatives. Our loss on valuation and disposal of derivatives, net of our gain on valuation and disposal of derivatives, increased by 26.9%, or Won 215 billion, from Won 801 billion in 2018 to Won 1,017 billion in 2019, primarily due to an increase in loss on disposal of derivatives related to hedging on our foreign currency positions.

Fees from separate accounts and separate account revenue. Our fees from separate accounts decreased by 11.5%, or Won 128 billion, from Won 1,116 billion in 2018 to Won 988 billion in 2019, primarily due to decrease in fees from HLI separate accounts on a separate basis. Our separate account revenue increased by 5.5%, or Won 10 billion, from Won 188 billion in 2018 to Won 198 billion in 2019. Separate account revenues are largely offset by substantially the same amounts of separate account expenses, whereby they have virtually no effect on our profit and loss on a net basis. See *"— Major Factors Affecting Our Results of Operations — Separate Account Assets and Liabilities"* above.

Operating Expenses

The following table presents a breakdown of our operating expenses and changes therein for 2018 and 2019.

	For the year ended 31 December		Changes 2018 versus 2019	
	2018	2019	Amount	%
	(in billions of Won or percentage)			
Change in reserves for insurance contracts	₩ 4,289	₩ 4,646	₩ 357	8.3%
Insurance claims paid	11,191	11,880	689	6.2
Reinsurance expenses	1,422	1,584	162	11.4
Business expenses	1,885	1,985	100	5.3
Amortization of deferred policy acquisition costs	1,332	1,252	(80)	(6.0)
Property administration expenses	112	131	19	17.0
Claim handling expenses	108	116	8	7.7
Loss on valuation and disposal of financial assets at fair value through profit or loss	44	43	(1)	(1.8)
Loss on valuation and disposal of available-for-sale financial assets	155	370	215	138.7
Loss on valuation and disposal of loans and other receivables	29	128	99	348.5
Loss on foreign currency transactions	234	367	133	56.3
Loss on valuation and disposal of derivatives	1,265	1,767	502	39.7
Other expenses	504	440	(64)	(12.7)
Fees for separate accounts	23	21	(2)	(7.8)
Separate account expenses	186	198	12	6.7
Total operating expenses	**₩ 22,780**	**₩ 24,929**	**₩ 2,149**	**9.4%**

N/A=Not Applicable

Our operating expenses increased by 9.4%, or Won 2,149 billion, from Won 22,780 billion in 2018 to Won 24,929 billion in 2019, primarily due to increases in insurance claims paid, loss on valuation and disposal of derivatives and change in reserves for insurance contracts.

Specifically, our operating expenses increased primarily due to the following:

- Our insurance claims paid increased by 6.2%, or Won 689 billion, from Won 11,191 billion in 2018 to Won 11,880 billion in 2019, primarily due to a 13.5% increase in insurance expenses, from Won 3,629 billion in 2018 to Won 4,121 billion in 2019, which was attributable to an increase in the amount of pay-outs of matured policies and insurance claims.

- Our reinsurance expenses increased by 11.4%, or Won 162 billion, from Won 1,422 billion in 2018 to Won 1,584 billion in 2019, mainly due to increases in expenses from HGI long-term and general insurance products. The 11.9% increase in HGI long-term insurance expenses, from Won 719 billion in 2019 to Won 804 billion in 2020, was attributable mainly due to a corresponding increase in the sale of HGI long-term insurance products. The 28.6% increase in HGI general insurance expenses, from Won 278 billion in 2018 to Won 358 billion in 2019, was attributable mainly due to a corresponding increase in the sale of HGI other special insurance products.

- Business expenses increased by 5.3%, or Won 100 billion, from Won 1,885 billion in 2018 to Won 1,985 billion in 2019, primarily due to an increase in agent commission, which was partially offset by an increase in deferred policy acquisition costs. For accounting of deferred policy acquisition costs, see *"— Critical Accounting Policies — Deferred Policy Acquisition Costs*" above. The 13.0% increase in agent commissions, from Won 777 billion in 2018 to Won 879 billion in 2019, was due to a corresponding increase in the sale of insurance products by our financial planners. The 4.7% increase in deferred policy acquisition costs, from Won 1,273 billion in 2018 to Won 1,332 billion in 2019, was due to a corresponding increase in costs related to the sale of insurance policies, such branch operations, promotional expenses, among other costs. For accounting of deferred policy acquisition costs, see *"— Critical Accounting Policies — Deferred Policy Acquisition Costs*" above.

For explanation of changes (and their net effect on our profit and loss) in loss on valuation and disposal of financial assets at fair value through profit or loss, loss on valuation and disposal of available-for-sale financial assets, loss on foreign currency transactions, and loss on valuation and disposal of derivatives, see *"— Operating Revenue"* above.

Operating Profit

Due to the factors described above, our operating profit decreased by 92.4%, or Won 601 billion, from Won 650 billion in 2018 to Won 49 billion in 2019. Our operating margin decreased from 2.7% in 2018 to 0.2% in 2019.

Non-Operating Revenues/Expenses (Net)

Our non-operating expenses, net of non-operating income, increased by 5.4%, or Won 1 billion, from Won 14 billion in 2018 to Won 15 billion in 2019, primarily reflecting an increase in net miscellaneous loss attributable to an increase in expected payments of dormant insurance benefits.

Income Tax Benefit/Expense

We recorded an income tax expense of Won 190 billion in 2018 as compared to an income tax benefit of Won 24 billion in 2019, reflecting the decrease in our profit before income tax. We recorded an effective tax rate of 29.8% in 2018 as compared to a negative effective tax rate of 68.2% in 2019, primarily due to increase in deductions that are not recognized as expenses.

Profit for the Year

Due to the factors described above, our profit for the year decreased by 86.9%, or Won 388 billion, from Won 447 billion in 2018 to Won 59 billion in 2019.

Liquidity and Capital Resources

Our principal cash inflows come from insurance premiums. The primary liquidity concern with respect to these cash inflows is the risk of early policyholder surrender or withdrawal. Cash inflows also result from proceeds from sales of investment assets and interest and dividend income related to our general account investment portfolio. See "*Business — Investments.*" The primary liquidity concerns with respect to these cash inflows are the risks of default by debtors, interest rate changes and other market volatilities.

Our principal cash outflows primarily relate to the liabilities associated with our various life insurance products, as well as our investment activities, policy loans, operating expenses and income taxes. Cash outflows arising from our insurance activities primarily relate to benefit payments under these insurance products, including refund payments for policy surrenders and withdrawals as well as claims payments in the form of returns of premiums upon the expiration of policies and payment of policyholder dividends.

Life insurance companies generally produce a positive cash flow from operations, as measured by the amount by which cash inflows are adequate to meet obligations to policyholders and normal operating expenses as they are incurred. The remaining cash flow is generally used to increase the asset base to provide funds to meet future insurance claims and other product-related payments and for writing and acquiring new business.

Liquidity refers to our ability to meet our cash needs. Liquidity is of critical importance to insurance companies. Most failures of financial institutions have occurred in large part due to insufficient liquidity resulting from adverse circumstances. We manage our liquidity risk through a set of liquidity risk management policies that are intended to maintain liquidity by holding sufficient quantities of assets that can be liquidated to meet actual or potential demands for funds from our policyholders and others. We also manage 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 external funding we believe we are able to obtain. The goal of liquidity management is for us to be able, even under adverse conditions, to meet all of our liability payments on time and fund all investment opportunities. We endeavour to maintain substantial excess liquidity to meet a broad range of potential cash outflows in a stressed environment. For an explanation of how we manage our liquidity risk, see "*Risk Management.*"

Additional sources of liquidity to meet unexpected cash outflows are available from our cash and cash equivalents and our portfolio of financial assets. As of 30 September 2021, the amount of our cash and cash equivalents was Won 1,303 billion. Our portfolio of financial assets may also provide us with a source of liquidity to meet unexpected cash outflows. As of 30 September 2021, we held Won 74,997 billion of available-for-sale financial assets and Won 15,248 billion of financial assets at fair value through profit or loss. In addition, excluding our accrediting deposits, substantially all of our remaining deposits with banks allow us to withdraw funds on deposit, subject in some cases to a penalty interest charge. As of 30 September 2021, we held Won 1,110 billion of deposits.

We currently anticipate that the cash flow that we generate from our operations, together with our existing cash and bank deposits, will be sufficient to meet our currently anticipated needs for working capital, capital expenditures and business expansion for the next 12 months. However, we may need to raise additional capital sooner than we expect in order to fund more rapid expansion or to respond to competitive pressures.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	For the Year Ended 31 December			For the Nine Months Ended 30 September	
	2018	2019	2020	2020	2021
	(in billions of Won)				
Net cash inflow from operating activities	1,643	1,007	1,514	1,499	3,923
Net cash outflow from investing activities	1,832	2,173	1,349	1,297	4,084
Net cash inflow (outflow) from financing activities	1,433	273	(56)	(66)	405
Net increase (decrease) in cash and cash equivalents	1,244	(892)	110	136	244
Cash and cash equivalents at the beginning of period	582	1,839	951	951	1,052
Effects of exchange rates changes on cash and cash equivalents	12	4	(8)	(3)	7
Cash and cash equivalents at the end of period	1,839	951	1,052	1,084	1,303

Cash Flows from Operating Activities

Our net cash provided by operating activities increased from Won 1,499 billion in the nine months ended 30 September 2020 to Won 3,923 billion in the nine months ended 30 September 2021, primarily reflecting an increase in cash flow from an increase in profit for the period from Won 311 billion in the nine months ended 30 September 2020 to Won 881 billion in the nine months ended 30 September 2021, as discussed under "— *Results of Operations — Nine Months Ended 30 September 2021 compared to Nine Months Ended 30 September 2020.*"

Our net cash provided by operating activities increased from Won 1,007 billion in 2019 to Won 1,514 billion in 2020, primarily reflecting cash flow from an increase in profit for the year from Won 59 billion in 2019 to Won 241 billion in 2020 and a decrease in income taxes paid from Won 395 billion in 2019 to Won 33 billion in 2020, which was partially offset by increase in profit for the year from Won 530 billion in 2015 to Won 845 billion in 2016, as discussed under "— *Results of Operations — 2020 compared to 2019.*"

Our net cash provided by operating activities decreased from Won 1,643 billion in 2018 to Won 1,007 billion 2019, primarily reflecting an increase in negative cash flow from a decrease in profit for the year from Won 447 billion in 2018 to Won 59 billion in 2019 and an increase in income taxes paid from Won 108 billion in 2018 to Won 395 billion in 2019, as discussed under "— *Results of Operations — 2019 compared to 2018.*"

Cash Flows from Investing Activities

Our net cash used in investing activities increased from Won 1,297 billion in the nine months ended 30 September 2020 to Won 4,084 billion in the nine months ended 30 September 2021, primarily reflecting a decrease in disposal available-for-sale financial assets of Won 11,998 billion in the nine months ended 30 September 2020 to Won 6,990 billion in the nine months ended 30 September 2021.

Our net cash used in investing activities decreased from Won 2,173 billion in 2019 to Won 1,349 billion in 2020, primarily reflecting acquisition of held-to-maturity financial assets of Won 697 billion in 2019 compared to none in 2020.

Our net cash used in investing activities increased from Won 1,832 billion in 2018 to Won 2,173 billion in 2019, primarily reflecting settlement of derivative instruments for hedge accounting of Won 392 billion in 2018 as compared to cash provided of Won 751 billion in 2019.

Cash Flows from Financing Activities

Our net cash used in financing activities was Won 66 billion in the nine months ended 30 September 2020, and our net cash provided by financing activities was Won 405 billion in the nine months ended 30 September 2021, primarily reflecting an increase in borrowings in Won 53 billion in the nine months ended 30 September 2020 compared to Won 498 billion in the nine months ended 30 September 2021.

Our net cash provided by financing activities was Won 273 billion in 2019, and our net cash used in financing activities was Won 56 billion in 2020, primarily reflecting an issuance of hybrid capital instruments of Won 498 billion in 2019 as compared to almost nil in 2020.

Our net cash provided by financing activities decreased from Won 1,433 billion in 2018 to Won 273 billion in 2019, primarily reflecting an issuance of hybrid capital instruments of Won 1,060 billion in 2018 as compared to Won 498 billion in 2019.

Risk-Based Capital Adequacy Requirements

Pursuant to the risk-based capital adequacy requirements implemented by the FSS, insurance companies are required to maintain a statutory ratio of available regulatory capital to risk-weighted assets of not less than 100%. Furthermore, the FSS had previously recommended that insurance companies maintain a risk-based capital adequacy ratio of not less than 150%, and its former administrative guidelines had required insurance companies failing to maintain such recommended 150% ratio to submit a capital increase plan. Although the FSS has since withdrawn such administrative guidelines, we believe that a risk-based capital adequacy ratio of not less than 150% is still considered standard in the Korean insurance industry. Risk-based capital adequacy requirements require insurance companies to hold adequate capital to cover their exposures to interest rate risk, market risk, credit risk and operational risk as well as insurance risk by reflecting such risks in their calculation of risk-weighted assets. K-ICS, a new regulatory solvency regime for insurance companies in Korea announced by the FSC and based on the Insurance Capital Standards developed by the International Association of Insurance Supervisors, is currently scheduled to be implemented for annual periods beginning on or after 1 January 2023. See "*Regulation and Supervision — Risk-Based Supervision of Insurance Companies — Risk-Based Capital Adequacy Requirements*."

On a consolidated basis, our risk-based capital adequacy ratio as of 30 September 2021 was 193.5%, compared to 212.2% as of 31 December 2018, 235.3% as of 31 December 2019 and 238.3% as of 31 December 2020. The following table sets forth our available capital and required capital for purposes of calculating our statutory risk-based capital adequacy ratio as of 30 September 2021, as well as a breakdown of our required capital as of such date for each of the five principal areas of risk.

	As of 30 September 2021
	(in billions of Won, except percentages)
Available capital	12,324
Required capital	6,369
Risk-based capital adequacy ratio	193.5%
Required capital	6,369
Interest rate risk	2,376
Insurance risk	1,122
Credit risk	2,807
Market risk	1,640
Operational risk	204

KOREAN INSURANCE INDUSTRY

The following overview of the insurance industry in Korea has been provided for background purposes only. The information presented in this section is derived from various government and private publications. Neither we nor any of our affiliates or advisers, nor the Initial Purchasers or any of their affiliates or advisers, have independently verified the information presented in this section or make any representation as to the accuracy or the completeness of the information.

Overview of the Korean Life Insurance Industry

The Korean life insurance market, which has grown steadily over the past decade, recorded total gross premiums of Won 119.6 trillion for the year ended 31 December 2020, according to KLIA. Despite the emergence of the COVID-19 pandemic and its negative impact on the global supply chain and consumer confidence in most countries, including Korea, the Korean life insurance industry reported current net income of Won 3.5 trillion in 2020, a 10.8% increase from the previous year, according to KLIA.

While the Korean life insurance market has demonstrated growth, the industry has yet to mature further in order to match Asian peers such as Hong Kong or Taiwan, among others. Insurance penetration and insurance density are commonly used to gage the state of maturity of a given country's insurance landscape. Insurance penetration is defined as a country's total premium income as a percentage of its GDP, and insurance density is defined as premium income per capita. According to Swiss Re Sigma, Korea's life insurance penetration rate was 6.4% in 2020 which was lower than Hong Kong and Taiwan's penetration rate of 19.2% and 14.0%, respectively, in 2020. Korea's direct written premiums in 2020 was US$6.4 billion, which was also lower than Hong Kong and Taiwan's direct written premiums of US$19.2 billion and US$14 billion, respectively, in 2020, according to Swiss Re Sigma.

As of 31 December 2020, there were 24 registered life insurance companies in Korea, consisting of nine registered foreign companies and 15 domestic companies regulated by the FSS. The market share of the life insurance industry is concentrated, among the "Big Three" insurers, namely, Samsung Life Insurance, Kyobo Life Insurance and us, which together comprises 46.5% in terms of gross premiums including separate accounts in 2020 according to KLIA.

Overview of the Korean Property and Casualty Insurance Industry

The Korean property and casualty insurance industry grew at a compound annual growth rate ("**CAGR**") of 7.7% from 2008 to 2020, recording total direct written premiums of Won 89 trillion in 2020, according to the GIAK. Given such significant growth over the past decade, according to Swiss Re Sigma, the penetration level of the Korean property and casualty insurance industry recorded 5.2% in 2020, which was higher than Japan and China's penetration level of 2.4% and 2.1%, respectively, during the same period. The density level of the Korean property and casualty market was US$1,691 in 2020, which was the highest in Asia, according to Swiss Re Sigma.

Korean property and casualty companies mainly offer long-term products, automobile products, and general property and casualty insurance products. In particular, the growth of long-term insurance and automobile insurance increased the total direct written premiums in the Korean property and casualty insurance market in 2019 according to the GIAK. Long-term insurance products are characterized by coverage periods of at least three years and similar to life insurance products that cover medical expenses, defined health benefits and accidents, among others. This is differentiated from general property and casualty insurance products which typically provide coverage of one year or less for losses and liabilities from fire, marine (including cargo) and other specialty segments.

Another key product sector, the automobile insurance was second highest in terms of written premium with Won 15.8 trillion in the Korean property and casualty insurance industry in 2018. With the expansion of green cars and consumer demand for secondary cars, there were approximately 24.37 million automobiles registered in Korea in 2020, according to the GIAK.

As of September 2021, there were a total of 30 registered property and casualty insurers in Korea, consisting of 14 registered domestic insurers and 16 registered foreign insurers, according to the FSS. Market concentration is similar to Korea's life insurance landscape, with 67.5% market share in terms of direct written premiums on a separate basis, according to the GIAK in 2020, comprised by the "Top Four", which are Samsung Fire & Marine Insurance, Hyundai Marine & Fire Insurance, DB Insurance and KB Insurance.

Trends in the Korean Insurance Industry

The growth of the Korean life insurance and long-term property and casualty insurance industries has been driven by certain key industry fundamentals and key macroeconomic factors that include, among others, shifting customer demographics and rising health expenditure, as well as a growing necessity for a private health insurance system.

Korea has one of the fastest growing aging population among the OECD economies. While the proportion of the population aged 65 and over was 7% in 2000, this figure rose to over 16% in 2021 and is projected to increase further to over 40% by 2060, according to the Korean Statistical Information Service. Life expectancy in Korea increased from 72 years in 1990 to 83 years in 2019, according to the World Bank. This is a notable increase compared to other developed countries, such as Japan and the United States, where life expectancy increased from 79 years to 84 years and 75 years to 79 years, respectively, from 1990 to 2019.

On the other hand, the scale of retirement savings in Korea has yet to catch up with this trend of a rapidly aging population and lengthened life expectancy, which has compelled the general public to focus on retirement and investment-oriented insurance products such as annuities and variable products.

Another factor that has led growth in the Korean life insurance and long-term property and casualty sector is the nation's rapid growth in health expenditures, which was the highest among OECD member economies over the past decade. This impetus has acted as one of the key drivers for sales expansion of protection-type life insurance products and long-term insurance products in the Korean life and property and casualty insurance industries, respectively. Korea's annual expenditure on health per capital increased from approximately US$1,560 in 2008 to approximately US$3,500 in 2020, which has functioned as a catalyst for growth in the private insurance sector. Notwithstanding this trend of continued growth, Korea's health expenditure as a portion to GDP, which recorded 8.4% in 2020, remained at one of the lowest levels among OECD member countries. The ratio of public health expenditure to total health expenditure in Korea, which was approximately 62% in 2020, remained significantly lower than those of OECD member countries which recorded an average of 76%, according to the OECD. In particular, public health coverage in Korea is more limited compared to other OECD member countries with respect to critical illness care.

BUSINESS

Overview

We were established in 1946 as Korea's first life insurer and have led the Korean life insurance industry as one of the "Big Three" life insurers in Korea by market share in terms of gross premiums. We are the second largest life insurance company in Korea as measured by total assets of Won 128.0 trillion and total gross premiums of Won 8.8 trillion (consisting of Won 7.6 trillion in general account and Won 1.2 trillion in separate account) as of and for the nine months ended 30 September 2021 on a separate basis. As of the same date, we had approximately 11.6 million life insurance policies in force and approximately 5.1 million individual policy holders on a separate basis.

Our vision is to be a "LIFEPLUS Company" that adds value to the lives of our customers. We seek to enhance profitability based on a customer-centric value growth strategy, by focusing on selling higher-margin insurance products and optimizing our cost structure while catering to the market demand for new, innovative insurance and investment products under the evolving demographic and regulatory landscape in Korea, as well as investing in new areas of growth, such as under-penetrated overseas markets. We aim to offer a product portfolio that is fine-tuned to market trends and customer needs tracking the evolving environment of the insurance market and customer lifestyles in Korea and the overseas markets that we operate in, including health management, retirement plans and investing behaviours. Our insurance products and services consist of protection-type insurance products such as whole life and critical illness insurance, annuities, savings products, group life insurance products, variable insurance products and retirement insurance and pension products. We focus on maintaining a strong platform of higher-margin protection-type products, while reducing volume driven but lower-margin products such as savings products. These higher-margin protection-type products accounted for 60.4% and 61.5% of our total APE, including premiums for our separate accounts, in the nine months ended 30 September 2021 and the year ended 31 December 2020 on a separate basis. Our annuities products and other insurance products providing living benefits, such as annuity products that combine retirement and death benefits, continue to remain a strategic focus, as we seek to cater to the older and retired generation, the fastest growing segment of Korea's population. We address market demand for investment-linked insurance products with higher rates of return and greater investment flexibility by developing and distributing a variety of variable insurance products.

We have one of the most extensive distribution networks in Korea with a large number of dedicated financial planners, our primary distribution channel which engages in personalized consulting-based sales, through HLFS, our wholly-owned subsidiary and the largest general agency in Korea in terms of the number of financial planners as of 30 June 2021, according to the GIAK. We established HLFS in April 2021 by spinning off our financial planner sales team into a dedicated general agency company, which allows us to further specialize and grow the expertise of our financial planners, while achieving economies of scale and owning and controlling the financial planner and general agency value chain. By combining our distribution network and our customer database, we are able to conduct effective and efficient sales activities through targeting customer groups with tailored product offerings. Our HLFS financial planner distribution channel has generated approximately 49.8% and 52.5% of our APE for the nine months ended 30 September 2021 and the year ended 31 December 2020, respectively, on a separate basis. We also use other distribution channels, such as non-exclusive general agencies and bancassurance, and engage in diverse forms of marketing, such as operation of social media and digital marketing, which enable us to reach a broader range of customers and to respond to changes in consumer trends in our target insurance markets with greater agility, accessibility and efficiency.

We engage in the property and casualty insurance business in Korea through our consolidated subsidiary, Hanwha General Insurance Co., Ltd., in which we hold a 51.4% equity interest as of

30 September 2021. Established in 1946, HGI is a mid-sized property and casualty insurance company that offers a wide range of property and casualty insurance products, including long-term insurance products that provide protection against losses arising from a policyholder's illness, injuries, property losses or other events while also featuring a savings component. HGI also offers automobile insurance and other general property and casualty insurance products. As of 30 September 2021, HGI had approximately 8 million property and casualty insurance policies in force. Total assets of HGI on a separate basis, without intercompany adjustments, represented 12.5% of our consolidated total assets as of 30 September 2021, while operating revenue from HGI on a separate basis, without intercompany adjustments, represented 28.7% and 29.8% of our consolidated operating revenue for the nine months ended 30 September 2021 and the year ended 31 December 2020, respectively. In recognizing the trends towards transacting on digital platform and consumer preference, we launched Carrot General Insurance Co., Ltd., Korea's first all "digital" insurance company without any physical branches in October 2019 as a subsidiary of HGI. CGI offers innovative and flexible property and casualty insurance policies, such as per mile car insurance, smartphone screen protection insurance and financial phishing or hacking insurance, which are especially popular among the younger generation.

On the asset management side, we pursue a prudent investment management strategy by maintaining a diversified mix of investment assets and carefully managing risks and asset quality. In recent years, we have increased allocations to alternative investments and financial derivatives like bond forwards as part of our efforts to enhance risk-adjusted returns and reduce asset-liability duration gap. In addition to our internal asset management capabilities, we also engage in the asset management business through Hanwha Asset Management, a wholly-owned subsidiary. Established in 1988, Hanwha Asset Management which is the fourth largest asset management company in Korea in terms of assets-under-management, manages fund products and advises on discretionary investment, including beneficiary certificates and discretionary investments. In August 2021, Hanwha Asset Management acquired additional shares in Hanwha I&S to become its controlling shareholder. Hanwha I&S provides securities and financial services, including securities brokerage, development and sale of various financial products, asset management (such as wealth management and wholesale), trading, M&A advisory and investment banking services. The consolidation of Hanwha I&S is expected to bring further synergies to our asset management business. As of 30 September 2021, we wholly owned Hanwha Asset Management, which in turn owned a 46.1% equity interest in Hanwha I&S.

As we seek new areas of growth, we have established overseas operations and currently operate life insurance subsidiaries in Vietnam and Indonesia and a joint venture in China and representative offices in San Francisco, Beijing, Tokyo and Fukuoka. In the nine months ended 30 September 2021, our subsidiaries in Vietnam and Indonesia recorded operating revenue of Won 171 billion and Won 15 billion, respectively, and our joint-venture in China recorded an operating revenue of Won 139 billion. In 2020, our subsidiaries in Vietnam and Indonesia recorded operating revenue of Won 208 billion and Won 19 billion, respectively, and our joint-venture in China recorded an operating revenue of Won 215 billion.

Our operating revenues were Won 23,431 billion, Won 24,978 billion and Won 26,223 billion in 2018, 2019 and 2020, respectively, and Won 19,331 billion and Won 20,423 billion for the nine months ended 30 September 2020 and 2021, respectively. We reported profit for the period of Won 447 billion, Won 59 billion and Won 241 billion in 2018, 2019 and 2020, respectively, and Won 312 billion and Won 881 billion for the nine months ended 30 September 2020 and 2021, respectively. We had total assets of Won 161,621 billion and total equity of Won 13,329 billion as of 30 September 2021.

Our headquarters are located at 63 Hanwha Life Building, 50, 63-ro, Yeongdeungpo-gu, Seoul 07345, Korea. The website for HLI is http://www.hanwhalife.com, and the website for HGI is https:// www. hwgeneralins.com. The websites for HLI and HGI are not incorporated into, and do not form a part of, this offering circular.

Our Strengths

We are widely regarded as one of Korea's leading life insurers, backed by a history of 75 years. We are the second largest life insurance company in Korea as measured by total gross premiums, with a market share of 12.35% in 2020 according to KLIA. Our principal strengths include the following:

Favourable demographics and supportive macroeconomic fundamentals

Our business is supported by a favourable market environment with macroeconomic fundamentals indicating opportunities for further growth, driven by the rapidly aging demographic and the consequent increase of healthcare spending. Korea is one of the world's fastest aging society with over 40% of the population projected to be over the age of 65 by 2060, according to the Korean Statistical Information Service, while Korea's annual expenditure on health per capital increased from approximately US$1,560 in 2008 to approximately US$3,500 in 2020 according to OECD, which has functioned as a catalyst for growth in the private insurance sector. In spite of this rapid pace of expansion, the Korean life insurance market has relatively lower density levels compared to other developed markets in Asia, indicating potential for continued growth.

Solid market leadership with superior profitability

We maintain a firm position as a market leader in the Korean life insurance industry. Both in terms of market share by total assets, or of market share by total gross premiums, we have consistently maintained the position as the second leading insurer in the industry since 2001, according to KLIA. We are also widely recognized as one of Korea's "Big Three" life insurers, which collectively accounted for approximately just less than half of aggregate gross premiums, in the Korean life insurance industry in 2020 according to KLIA. We have consistently developed our product offerings and distribution network which have anchored our growth to reach a total asset size of Won 128 trillion on a separate basis as of 30 September 2021.

We believe our scale of operations and depth of understanding of the Korean life insurance market are significant competitive advantages and will support our efforts to seize market growth and product expansion opportunities. We take advantage of our industry expertise and customer reach derived from our long operating history in the Korean insurance market to better assess and manage risks related to our insurance products, including through adjustments in product offerings and pricing.

Further earnings expansion potential driven by protection product-focused strategy

We believe the main driver of our solid performance lies in our strategic focus on protection-type products, which generally provide greater profitability compared to other product segments such as savings and annuities products, accounting for over half of our total APE. In the nine months ended 30 September 2021 and the year ended 31 December 2020, the proportion of protection products marked 60.4% and 61.5% out of our total APE, respectively, including premiums for our separate accounts on a separate basis. We are committed to continued development of protection products that demonstrate marketability and yield high profitability, and in particular for long-term protection products with a policy period of over 10 years.

Distribution through Hanwha Life Financial Service, the largest general agency, and other diversified channels

We believe an experienced financial planner distribution network is a critical core competency for the success of a Korean life insurance company. Our sales channels have functioned as a key competitive advantage in differentiating us from foreign and mid-to-small-sized life insurance companies in the market, and our mainstay focus has been our financial planner channel which provides us with significant customer reach and access through personalized consulting-based customer servicing. Due in part to further specialize and equip financial planners to better market our life and property and casualty insurance products and to own and control the financial planner and general agency value chain, we spun off our financial planner sales team as Hanwha Life Financial Service Co., Ltd., a wholly owned subsidiary, in April 2021. HLFS is the largest general agency in Korea in terms of the number of financial planners as of 30 June 2021 according to the GIAK, and currently has an exclusive arrangement to sell life insurance products offered by HLI only and non-exclusive arrangements to sell property and casualty insurance products from HGI and others. Spinning off our financial planner sales team into a dedicated general agency subsidiary, allows us to further specialize and grow the expertise of our financial planners in marketing and customer acquisition, relations and management, while achieving economies of scale and attracting and retaining top financial planners. Our HLFS financial planner channel comprised 49.8% and 52.5% of our total APE in the nine months ended 30 September 2021 and the year ended 31 December 2020, respectively, on a separate basis.

Our key strength also lies in our steady foothold across other distribution channels including the bancassurance network and non-exclusive general agencies. We have cultivated partnerships with all the major commercial banks in Korea, while over two-thirds of our premium income from bancassurance channel on a separate basis is contributed from our top four sales partners which are among the nation's largest commercial banks, in the nine months ended 30 September 2021. We also have arrangements with over 140 non-exclusive general agencies on a separate basis. Overall, our bancassurance and non-exclusive general agency channels comprised 30.2% and 13.2% of our total APE in the nine months ended 30 September 2021, respectively, and 29.5% and 12.3% in 2020, respectively, on a separate basis.

High quality investment portfolio with emphasis on stability

We maintain a high-quality investment portfolio which is driven by a stable and prudent ALM policy. We implement asset allocation policies that are driven by a strategic focus for longer-term investments, and tactical focus for shorter-term investments. With an aim for stability, we are expanding our scope of investments to safe assets including government and agency bonds that reflect our investment appetite. We also plan to enhance our investment yield by proactively reviewing investment opportunities into alternative investments and financial derivatives like bond forwards, which may offer relatively higher returns while adhering to our risk framework.

Committed to ESG Objectives

In January 2021, in furtherance of our ESG objectives, we, along with five other member companies of the Hanwha Group in the finance industry (including our subsidiaries HGI, CGI and Hanwha Asset Management), undertook not to finance any coal projects in our business portfolios. Furthermore, in March 2021, we established a Sustainability Management Committee as a board of directors' committee to ensure that our board of directors would consider ESG values in our senior management decisions. We believe that there are future growth opportunities through ESG, and our leadership in the ESG arena will best position us to take advantage of such opportunities.

Our Strategies

We are focused on delivering innovative products and services to our customers, establishing our digital platform and strengthening the health and well-being of our customers. We believe that our market position as the second largest life insurance company operating in Korea as measured by total gross premiums and the experience we have accumulated throughout our extensive corporate history will continue to differentiate us and allow us to expand our operations in Korea and, on a selective basis, overseas. Our long-term business objectives include:

- strengthen our position and business capabilities aligned to global industry leadership standards;
- secure sustainable growth through product diversification and effective cost management; and
- cultivate a sophisticated corporate culture and infrastructure.

To achieve these objectives, we intend to pursue the following business strategies:

Build toward a product mix yielding greater profitability

Given our emphasis on quality over quantity, we are focused on expanding product offerings that would maximize new business value growth and aiming beyond solely growing the size of the business. While maintaining the strong platform of our protection-type product offerings, we seek to expand our product offerings in order to meet our customers' needs for a wider range of insurance and financial products. As part of this strategy, we plan to identify new demand and sophisticate our products offered in potential growth sectors, including product segments for retirees and the elderly.

Moreover, we aim to strengthen our distribution of long-term whole life products, as well as non-guaranteed products which contribute to a healthier product portfolio. We believe that our core business strategy of expanding into sales of more sophisticated insurance products supports the goal of sustainable growth and improving profitability.

Beyond expanding the breadth of products offered, we are seeking to enhance the profitability of our business by implementing effective and prudent expense management and improved underwriting standards and practices. We seek to maintain detailed management of mortality margins and tighten controls in the underwriting cycle. On the cost side, we will continue to efficiently manage our operating and administrative expenses and expenses relating to servicing claims. As we move forward, we plan to continue to implement rigorous cost controls and further manage our policy persistency, claim payment ratio, expense margin and rates of return on investments to maintain our competitiveness in the market and strengthen our profit base.

Strategically leverage HLFS financial planners and other distribution channels

We plan to steadily enhance the strength and competitiveness of our distribution channels. We established HLFS in April 2021 by spinning off our financial planner sales team into a dedicated general agency company, which allows us to further specialize and grow the expertise of our financial planners, while achieving economies of scale and owning and controlling the financial planner and general agency value chain. In addition, as part of our investments in the financial planner channel and to our digital platform, in October 2020, we launched our Life MD, an all-in-one mobile app to recruit and train part-time financial planners and provide certified financial planners with digital tools for sales, which is currently being used by HLI.

As a means for strengthened and effective personnel development, HLFS aims to leverage on various analysis on the distribution patterns and existing customer base of financial planners to provide tailored training and support. HLFS also seeks to underscore to its financial planner force our mission for sustainable insurance sales based on high standards of professionalism. HLFS is committed to enhancing the training of its financial planners in order to equip them with best-in-class consulting capabilities to assess the financial needs of our customers and provide them with optimal solutions to address them.

Pursue new growth momentum, including synergies with Hanwha Group companies and overseas businesses

As of 30 September 2021, we owned a 51.4% interest in HGI, which in turn owned a 60.4% equity interest in CGI, and a 100% equity interest in Hanwha Asset Management, which in turn owned a 46.1% equity interest in Hanwha I&S. We seek to continue our close partnership with these entities as part of our strategy to develop additional distribution channels for life insurance products and capture new business opportunities. In addition, we seek synergies with other member companies of the Hanwha Group, such as with Hanwha Systems, an information and communication technology ("**ICT**") service provider within the Hanwha Group to whom we have delegated certain of our ICT functions. See Notes 42 and 43 of the notes to our consolidated interim financial statements as of 30 September 2021 and for the nine months ended 30 September 2021 and 2020.

Our endeavours into areas of potential growth also expand overseas, with operations reaching across Vietnam, Indonesia, and China. As the first life insurance company in Korea, we have developed valuable experience in taking a life insurance business from the initial stages of development into a fully matured industry leader. We have early on identified Vietnam, Indonesia, and China as markets with attractive growth potential where we believe we can apply our accumulated business know-how. In these new markets, we expect to selectively deploy sales and management systems conforming to international standards and asset management and risk management practices which are effective in and sensitive to local market characteristics.

Further enhance financial stability through improved risk and capital management

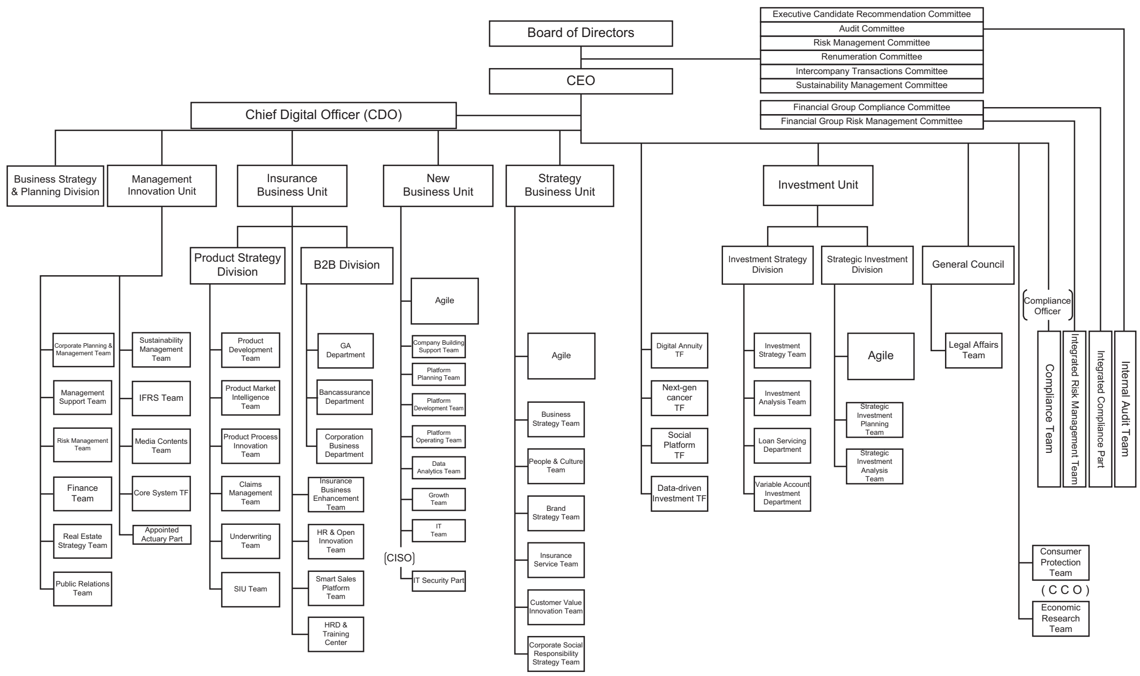
We are seeking to improve our risk management capabilities in order to reduce our risk profile, increase margins and enhance our overall financial stability. We have deployed risk-adjusted performance measurement system designed to provide risk-related information, which is expected to enable management to reach swifter and better-informed decisions by considering a range of relevant risks, including credit risks and market risks.

We also plan to further improve our capital management systems in light of impending regulatory capital adequacy developments and to fully comply with the latest domestic as well as international standards. We are preparing and taking appropriate measures to adopt K-IFRS 1117 and K-ICS, the new solvency regime, both of which are expected to be implemented in 2023.

Organization

Our headquarters are located at 63 Hanwha Life Building, 50, 63-ro, Yeongdeungpo-gu, Seoul 07345, Korea. The following diagram illustrates our corporate structure as the date of this offering circular.

Organizational Structure



Unless otherwise indicated, the following discussion in "Business" is with respect to HLI's business only, except for the specified discussions of our consolidated subsidiaries. In addition, unless otherwise indicated, the discussion of HLI's business and related financial and operating data, including our premiums and number of policies, is with respect to both general accounts and separate accounts, except for the discussion of investments of HLI under "— Investments," which is with respect to general accounts only.

Our Products

We offer various types of protection-type, annuities and savings insurance products for individuals and groups, categorized collectively as "general account products," as well as variable insurance, retirement insurance and retirement pension products, categorized collectively as "separate account products."

- *Protection-type Products.* We offer fixed benefit individual and group insurance products such as whole life, critical illness and general protection-type insurance products.

- *Annuities Products.* Our annuities products are designed to provide the insured with a regular source of income later in life, typically at retirement. Our policyholders receive regular payments during the payoff period until death or a specified end in accordance with the contract, in return for periodic or lump sum payment of premiums.

- *Savings Products.* Our savings products for individuals and groups include annuities that provide periodic payments from a designated time in the future for a specific period or until the death of the insured and other savings insurance products.

- *Retirement Pension Products.* As a separate account product, we also offer retirement pension products for groups.

Within protection-type, annuities and savings products, there are also variable insurance products in which the benefit to policyholders varies depending on the relevant investment portfolios chosen by the policyholders. Variable insurance products are managed in separate accounts and are offered only to individuals.

Our core business is providing whole life and critical illness insurance products to individuals (including variable whole life and variable critical illness products in separate accounts). In the nine months ended 30 September 2021 and the year ended 31 December 2020, whole life insurance and critical illness insurance products for individuals combined (including those in our separate accounts) accounted for 42% and 41% of HLI's total gross premiums, respectively. We continually review, update and expand our product offerings to respond to the needs of our customers.

Our main offerings are built upon products that can be combined with additional policy riders that provide our policyholders with various options to tailor their policies to their specific needs. We offer a wide variety of policy riders to meet different needs of different policyholders. The steady increase in privately borne medical expenses provides a more favourable climate for riders that offer benefits with respect to health-related policies specifically designed to supplement Korea's national health care insurance system. Our line-up of riders includes riders for accidental death, disability or treatment as well as diagnosis and treatment of cancer and other specified major diseases.

Historically, most of the life insurance and annuity products offered in the Korean life insurance retail market included a participation feature that allowed policyholders to receive annual policyholders' dividends. For example, until 1995, we had only offered participating insurance policies for individual life insurance. The policyholders' dividends on participating insurance policies were calculated based on mortality and morbidity rate margin, interest rate margin and expense margin. Over time, however, our product offerings gradually shifted to non-participating insurance policies with no policyholders' dividends. Currently, substantially all of our new sales consist of non-participating products.

Our insurance premiums generally consist of premiums generated from protection-type insurance products (in both general and separate accounts), annuities insurance products (in both general and separate accounts), savings insurance products (in both general and separate accounts), group life insurance products (in general accounts only) and retirement insurance and retirement pension products (in separate accounts only).

The following tables set forth information about the amounts and percentages of our gross premiums and APE (including our gross premiums and APE of our separate accounts) accounted for by each product type, on a separate basis, for the periods indicated:

	For the Year Ended 31 December						For the Nine Months Ended 30 September			
	2018		2019		2020		2020		2021	
	Gross Premiums	%	Gross Premiums	%	Gross Premiums	%	Gross Premiums	%	Gross Premiums	%
	(in billions of Won, except percentages)									
Individual Insurance	**₩11,653**	**81.8%**	**₩11,636**	**83.0%**	**₩11,912**	**80.6%**	**₩ 9,031**	**85.4%**	**₩8,724**	**88.3%**
Protection-type	**6,601**	**46.4**	**6,795**	**48.5**	**7,026**	**47.6**	**5,254**	**49.7**	**5,315**	**53.8**
Whole Life/CI	4,591	32.2	4,559	32.5	4,652	31.5	3,500	33.1	3,387	34.3
Variable Whole Life/CI	1,190	8.4	1,151	8.2	1,067	7.2	808	7.6	743	7.5
General Protection-type	820	5.8	1,085	7.7	1,307	8.8	946	8.9	1,185	12.0
Annuity	**3,257**	**22.9**	**3,062**	**21.8**	**2,841**	**19.2**	**2,129**	**20.1**	**2,054**	**20.8**
General Annuities	2,086	14.6	2,077	14.8	2,077	14.1	1,536	14.5	1,632	16.5
Variable Annuities	1,171	8.2	985	7.0	764	5.2	593	5.6	422	4.3
Savings	**1,795**	**12.6**	**1,778**	**12.7**	**2,045**	**13.8**	**1,649**	**15.6**	**1,356**	**13.7**
General Savings	1,635	11.5	1,645	11.7	1,931	13.1	1,561	14.8	1,283	13.0
Variable Savings	161	1.1	134	1.0	114	0.8	87	0.8	73	0.7
Group Insurance	**92**	**0.6**	**92**	**0.7**	**92**	**0.6**	**72**	**0.7**	**73**	**0.7**
Protection-type	43	0.3	40	0.3	35	0.2	29	0.3	21	0.2
Savings-type	49	0.3	52	0.4	57	0.4	43	0.4	51	0.5
Pensions	**2,495**	**17.5**	**2,285**	**16.3**	**2,771**	**18.8**	**1,471**	**13.9**	**1,083**	**11.0**
Total General Account	**9,224**	**64.8**	**9,459**	**67.5**	**10,058**	**68.1**	**7,615**	**72.0**	**7,559**	**76.5**
Total Separate Account	**5,016**	**35.2**	**4,555**	**32.5**	**4,717**	**31.9**	**2,959**	**28.0**	**2,320**	**23.5**
Total Gross Premium	**₩14,240**	**100.0%**	**₩14,014**	**100.0%**	**₩14,775**	**100.0%**	**₩10,574**	**100.0%**	**₩9,880**	**100.0%**

	For the Year Ended 31 December						For the Nine Months Ended 30 September			
	2018		2019		2020		2020		2021	
	APE(1)	%	APE(1)	%	APE(1)	%	APE(1)	%	APE(1)	%
	(in billions of Won, except percentages)									
Individual Insurance	**1,670**	**99.4%**	**1,804**	**99.4%**	**1,826**	**99.3%**	**1,443**	**99.3%**	**1,164**	**98.4%**
Protection-type	**938**	**55.8**	**1,175**	**64.7**	**1,130**	**61.5**	**866**	**59.6**	**714**	**60.4**
Whole Life/CI	649	38.6	727	40.1	647	35.2	532	36.6	378	32.0
Variable Whole Life/CI	71	4.2	21	1.2	17	0.9	15	1.0	1	0.1
General Protection-type	218	13.0	427	23.5	466	25.3	319	22.0	335	28.3
Annuity	**391**	**23.3**	**333**	**18.4**	**345**	**18.8**	**251**	**17.3**	**344**	**29.1**
General Annuities	358	21.3	324	17.9	338	18.4	246	16.9	336	28.4
Variable Annuities	34	2.0	9	0.5	8	0.4	5	0.4	8	0.7
Savings	**341**	**20.3**	**296**	**16.3**	**350**	**19.1**	**326**	**22.4**	**106**	**8.9**
General Savings	336	20.0	289	15.9	347	18.9	322	22.2	102	8.6
Variable Savings	5	0.3	7	0.4	4	0.2	3	0.2	4	0.3
Group Insurance	**10**	**0.6**	**11**	**0.6**	**12**	**0.7**	**10**	**0.7**	**19**	**1.6**
Protection-type	1	0.1	1	0.1	1	0.1	1	0.0	1	0.1
Savings-type	9	0.5	9	0.5	11	0.6	10	0.7	18	1.5
Pensions	**0**	**–**	**0**	**–**	**0**	**–**	**0**	**–**	**0**	**–**
Total General Account	**1,570**	**93.5**	**1,778**	**98.0**	**1,810**	**98.5**	**1,430**	**98.4**	**1,170**	**98.9**
Total Separate Account	**110**	**6.5**	**37**	**2.0**	**28**	**1.5**	**24**	**1.6**	**13**	**1.1**
Total Gross Premium	**1,680**	**100.0%**	**1,815**	**100.0%**	**1,838**	**100.0%**	**1,453**	**100.0%**	**1,183**	**100.0%**

(1) APE for the periods indicated represents our annualized premiums for regular payment premium products sold during the applicable period, plus 10% of our premiums for single payment premium products sold during such period, in each case, excluding insurance products that have a coverage period of one year or less and retirement pension products.

Protection-type Insurance Products

Protection-type life insurance is currently our main product line. Our protection-type life insurance products generally fall into three principal categories: whole life, critical illness and general protection. We offer protection-type insurance through a wide range of products and services that cater to individuals' specific needs in various stages of their life cycle, providing protection against a policyholder's death, disability, illness, accident or other events. Our focus has been, and we expect it will continue to be, on offering higher-margin protection-type insurance products, such as our whole life and critical illness insurance products.

We continuously adjust the features and prices of our product offerings to reflect updated actuarial data and thereby manage our risk exposure. We also enhance our existing products on an on-going basis by introducing additional features and upgraded products and retire the products that are no longer profitable to us or appealing to the market. We sell our protection-type insurance products primarily through financial planners, along through various other channels.

Whole Life Insurance Products

Our whole life insurance policies provide a guaranteed benefit to the beneficiary upon the death of the insured irrespective of when the insured dies, in return for the periodic payment of fixed premiums over a predetermined period. Premium payments may be required for the length of the contract period, to a specified age or for a specified period (generally ranging from five to 30 years) and are typically levelled throughout the period. Our whole life insurance products include policies with term life protection riders which offer additional death benefits to be paid out if death occurs within the specified coverage period in return for additional premium payments. Specified coverage periods generally range from five to 30 years or expire at specified ages, and premiums are typically set as a fixed sum for the specified coverage period.

Critical Illness Insurance Products

Our critical illness insurance products combine the advantages of whole life insurance and health insurance. These products provide a portion of the guaranteed benefits upon the occurrence of certain specified terminal illnesses and pay the remainder upon the death of the insured to a designated beneficiary, in return for periodic payment of fixed premiums over a predetermined period. Our line-up of critical illness insurance products includes traditional critical illness policies that offer benefits only if illness occurs within a specified coverage period.

Whole life and critical illness insurance products together accounted for 40%, 41% and 38% of our gross premiums for the years ended 31 December 2018, 2019 and 2020, respectively, and 41% and 42% for the nine months ended 30 September 2020 and 2021, respectively.

General Protection-type Insurance Products

Our primary offerings of general protection-type insurance products include health insurance, term insurance, comprehensive insurance and long-term care insurance products. Our health insurance products include defined health benefit plans, medical expense reimbursement plans, such as the cost of surgery, and disease-specific plans, such as those to cover cancer and brain and heart ailments and diseases. Our defined health benefit plans provide a fixed payment based on the number of days of hospitalization for specific diseases and surgical or other treatment procedures, in return for periodic payment of fixed premiums over a predetermined period. We also offer medical expense reimbursement plans that provide for the reimbursement of a portion of the participant's outpatient or hospitalization treatment fees and expenses. Policyholders of our health insurance products either pay premiums in a single payment or on a periodic basis. We also offer a limited number of accident insurance products that provide death, disability and medical expense benefits in the event that the insured is involved in an accident, in return for periodic payment of fixed premiums over a predetermined period. Our long-term care insurance products pay benefits if the insured requires a specified level of medical care over an extended period of time, such as those suffering from dementia and requiring caregivers. General protection-type insurance products may be tailored for specific demographic segments, such products aimed at children. Policyholders pay premiums on a lump sum or on a periodic basis and receive payment at the occurrence of a specified event. No payment is made if a policy without predetermined maturity benefits expires without the occurrence of any specified events.

In general, the aging population and an increase in privately borne medical expenses in Korea provide a favourable market for products that offer medical care and long-term care benefits, and many insurance companies have increased sales activities for such living benefit products. General protection-type insurance products accounted for 6%, 8% and 9% of our gross premiums for the years ended 31 December 2018, 2019 and 2020, respectively, and 9% and 12% for the nine months ended 30 September 2020 and 2021, respectively.

Protection-type Variable Insurance Products

Variable insurance policies generally provide a return linked to an underlying investment portfolio designed by the policyholder while also providing a guaranteed minimum protection benefit and/or a guaranteed minimum accumulation benefit, predetermined by the contract, in return for periodic payment of fixed premiums over a predetermined period. We establish policy reserves in our general account in respect of such guaranteed minimum protection, annuity or savings benefits in accordance with applicable regulations and our risk management policies and recognize the portion of the premiums received on our variable insurance policies that relates to such benefits as separate account commission received in our general account. In addition, we recognize the portion of premiums received on variable insurance policies that relates to acquisition and operating costs as premium income in our general account. Other than such portions relating to guaranteed minimum protection, annuity or savings benefits and acquisition and operating costs that are allocated to our general account, we pool premiums paid by our variable insurance policyholders and purchase interests in investment funds among which our policyholders are able to allocate and adjust their investment portfolio. We distribute the returns from such investment portfolio to the beneficiaries upon the death of the insured person or to the policyholder upon the maturity of the contract or the predetermined accumulation date. Accordingly, the aggregate returns payable under variable insurance policies are not predetermined and vary depending on the investment performance of the relevant portfolios selected by the policyholders.

Our protection-type variable insurance products include variable whole life insurance policies and variable critical illness insurance policies, each of which provides specified benefits in return for periodic payment of fixed premiums over a predetermined period. Variable whole life insurance policies provide a lump sum benefit payment upon the death of the insured, and variable critical illness insurance policies provide a lump sum benefit payment upon the occurrence of certain specified illnesses, in each case with a potential additional payment based on the performance of the related investment. Protection-type variable insurance products accounted for 8%, 8% and 7% of our gross premiums for the years ended 31 December 2018, 2019 and 2020, respectively, and 8% and 8% for the nine months ended 30 September 2020 and 2021, respectively.

Annuities Insurance Products

Our annuities products are designed to provide the insured with a regular source of income later in life, typically at retirement. Our policyholders receive payments during the payoff period specified in the contract, which is generally when the insured is between 45 to 80 years old, in return for periodic or lump sum payment of premiums. We offer annuities that provide various guaranteed benefits to the insured if the insured survives specified maturity dates or periods stated in the policy and to a beneficiary designated by the insured if the insured dies within such specified dates or periods. Specified coverage periods generally range from five to 30 years or throughout the life of the insured, and premiums are typically set as a fixed sum for the specified coverage period. We offer floating rate annuity products that pay a guaranteed minimum rate of interest for a specified term or throughout the life of the insured. The guaranteed minimum interest rate is 1.00% annual compounding interest for the first three years, 0.75% from over three years to five years and 0.50% exceeding five years from the signing of the contract date. Premiums paid on individual annuity products are allocated to our general accounts, and we bear the risk that investments do not meet the assumed interest yields. If the insured passes away prior to the commencement of contracted annuity payments, a lump sum benefit payment is made.

Premiums paid on annuities accounted for 23%, 22% and 19% of our gross premiums for the years ended 31 December 2018, 2019 and 2020, respectively, and 20% and 21% for the nine months ended 30 September 2020 and 2021, respectively. We believe that demand for annuities has potential to increase with the trends of the aging Korean population and the rising need for a source of post-retirement income as described above.

Variable Annuity Products

Variable annuity products pay a periodic amount either for a fixed term or throughout the life of the insured, in return for periodic payment of fixed premiums over a predetermined period. Unlike fixed annuities, however, the benefits vary based on the performance of the related investment. Variable universal life insurance products provide policyholders the flexibility to adjust the premium and benefit amounts, as well as to withdraw certain portions of paid-in premiums while the policy is still in effect. Premiums paid on our variable annuity products accounted for 8%, 7%, and 5% of our gross premiums for the years ended 31 December 2018, 2019 and 2020, respectively, and 6% and 4% for the nine months ended 30 September 2020 and 2021, respectively.

Savings Insurance Products

Savings insurance products are long-term insurance policies and premiums include a substantial portion of deposits in addition to pure insurance premiums. At maturity, the deposit portion is repaid together with accrued interest. Savings products are designed to provide the insured with benefits that exceed the total premiums paid during the payment period and are generally used by customers for saving and/or retirement planning purposes. Our savings insurance products currently on offer are interest-sensitive products that provide benefits determined in accordance with floating interest rates, with a guaranteed minimum interest credit rate set at 1.20% for the first three years of the policy period, 0.75% from three to five years and 0.50% thereafter.

Savings insurance products include non-protection and non-annuity individual life insurance products that provide different savings features. Our primary products in this category include universal savings insurance policies which provide a lump sum benefit payment with interest accrued, either at maturity or at death or disability of the insured before the end of the specified coverage period. If the insured dies within the coverage period, an additional amount of death benefits is paid. These policies also afford the policyholders the flexibility to adjust the premium amounts and withdraw portions of paid-in premiums while the policy is still in effect.

Premiums paid on our savings insurance products accounted for 13%, 13% and 14% of our gross premiums for the years ended 31 December 2018, 2019 and 2020, respectively, and 16% and 14% for the nine months ended 30 September 2020 and 2021, respectively.

To address customers' preference for greater investment flexibility, we also offer a range of variable savings products. Variable universal savings insurance products provide policyholders the flexibility to adjust the premium and benefit amounts, as well as to withdraw certain portion of paid-premiums while the policy is still in effect. Savings variable insurance products accounted for 1% of our gross premiums for each of the years ended 31 December 2018, 2019 and 2020 and for the nine months ended 30 September 2020 and 2021.

Group Life Insurance Products

We provide a range of group life insurance and savings products and services to our institutional customers, which include some of Korea's large companies and institutions including member companies of the Hanwha Group. Our products in this area include primarily protection-type insurance products such as workplace accident insurance, sickness insurance and savings insurance products. In general, we provide these products as part of our institutional customers' overall employee benefit plans.

Group insurance products offer coverage similar to individual insurance products, except that only one application is processed on behalf of the members of the insured group covered under the policy. The policyholder is usually the individuals' employer or an organization to which the individual belongs, and the policy provides the individual members with uniform benefits. We offer these products through corporations and other organizations as a sponsored benefit program with premiums paid by the organizations, or on a non-sponsored basis with premiums paid by the individual members of the insured group. Group insurance policies may be renewed at specified renewal periods (e.g., third or fifth anniversary) on the same terms and conditions save for the insurance premium, which is recalculated based on the prevailing interest rate and risk profile.

Retirement Pension Products

We offer retirement pension plans to Korean companies and institutions pursuant to the Korean Employee Retirement Benefit Security Act, as well as plan administrator services and asset management services. We offer the following two types of retirement pension plans, which are selected by the participating companies:

- *Defined benefit plan*. Under our "defined benefit" plan, an employer makes contributions into an employee's plan prior to retirement, and the employee receives either a lump-sum retirement benefit or, if an annuity option is selected, a fixed level of payments during the payoff period, with the employer being responsible for any shortfall in the event that the plan's investment returns are not sufficient for the lump-sum benefit or fixed-level payments.

- *Defined contribution plan.* Under our "defined contribution" plan, an employer makes contributions into an employee's plan prior to retirement, and the employee receives either a lump-sum retirement benefit or, if an annuity option is selected, a fixed level of payments during the payoff period, based on the plan's investment returns linked to the underlying investment portfolio selected by the employee.

We also offer individual retirement plan insurance products, also known as IRP products, which enable individuals to transfer a portion of their income or lump-sum severance payment or accrued pension amount received upon leaving an employer into their individual retirement accounts, with the effect of deferring tax liabilities on severance benefits until the individual's retirement. The amounts paid in are used to purchase investment funds selected by the policyholders, and the returns are paid to the specified beneficiary upon retirement.

Sales and Distribution Channels

Our sales and distribution network constitutes a critical part of our sales and marketing activities. We seek to differentiate our marketing and sales activities from those of our competitors on the basis of our in-depth consulting- based sales approach using our HLFS financial planner distribution channel consisting of experienced sales representatives, supplemented by other channels. While keeping our core strength of experienced financial planners that sell insurance products through in-person distribution efforts on an exclusive basis, we also seek to supplement our distribution network with diversified sales and distribution channels that can give us greater flexibility to adapt to changes in consumer trends in the Korean life insurance market. Over the years the channels through which we reach our customers have expanded, aided by the increasing sophistication of information and communication technology.

We market and sell our life insurance products primarily through the following distribution channels:

- ***Hanwha Life Financial Service*** — Our financial planners are career tied agents that act as sales representatives. In April 2021, we spun off our financial planner sales team into HLFS, a wholly owned insurance general agency subsidiary, which allows us to further specialize and grow the expertise of our financial planners, while owning and controlling the financial planner and general agency value chain. As our dedicated general agency, HLFS has an exclusive arrangement to sell life insurance products offered by HLI only and non-exclusive arrangements to sell property and casualty insurance products from HGI and others. HLFS financial planners are our primary distribution channel for sales of our individual insurance products.

- ***General Agencies*** — We have entered into marketing arrangements with over 140 general agencies, which are independent sales agencies of financial planners, that sell our products on a non-exclusive basis.

- ***Bancassurance*** — Our bancassurance arrangements with commercial banks, savings banks and cooperatives and securities firms allow these financial institutions to market and distribute our life insurance products through their branches.

- ***Others –*** Our remaining channels include sales via our Corporate Sales division, Onsure platform, part-time financial planners via our Life MD app and Hanwha Life Lab Co., Ltd. ("**HLL**"), our non-exclusive general agency subsidiary.

The following table sets forth the amounts of our first-year premiums (for both general account and separate account products) and percentages of our first-year premiums attributable to each distribution channel for the periods indicated.

	For the Year Ended 31 December						For the Nine Months Ended 30 September			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)									
HLFS Financial Planners[(1)] …	₩ 999	26.2%	₩ 1,025	27.4%	₩ 1,011	20.8%	₩ 761	22.6%	₩ 667	23.1%
General Agencies ……………	213	5.6	211	5.6	216	4.4	162	4.8	151	5.2
Bancassurance………………	646	17.0	906	24.2	1,460	30.0	1,160	34.4	1,202	41.6
Others[(2)] ………………………	1,951	51.2	1,600	42.8	2,184	44.8	1,288	38.2	869	30.1
Total …………………………	**₩ 3,808**	**100.0%**	**₩ 3,741**	**100.0%**	**₩ 4,871**	**100.0%**	**₩ 3,371**	**100.0%**	**₩ 2,889**	**100.0%**

(1) Consists of our financial planner sales team prior to the spin-off of HLFS in April 2021 and HLFS financial planners subsequent to the spin-off.

(2) Includes sales from our Corporate Sales division, Onsure platform, Life MD part-time financial planner and HLL channels.

The following table sets forth the amounts and percentages of our APE (including premiums for our separate accounts) attributable to each distribution channel, on a separate basis, for the periods indicated.

	For the Year Ended 31 December						For the Nine Months Ended 30 September			
	2018		2019		2020		2020		2021	
	APE(1)	%	APE(1)	%	APE(1)	%	APE(1)	%	APE(1)	%
	(in billions of Won, except percentages)									
HLFS Financial Planners(2)	927	55.2%	1,044	57.5%	964	52.5%	737	50.7%	589	49.8%
General Agencies	207	12.3	225	12.4	226	12.3	168	11.5	156	13.2
Bancassurance	442	26.3	445	24.5	542	29.5	463	31.9	357	30.2
Others(3)	105	6.2	102	5.6	106	5.7	85	5.9	80	6.8
Total	**1,680**	**100.0%**	**1,815**	**100.0%**	**1,838**	**100.0%**	**1,453**	**100.0%**	**1,183**	**100.0%**

(1) APE for the periods indicated represents our annualized premiums for regular payment premium products sold during the applicable period, plus 10% of our premiums for single payment premium products sold during such period, in each case, excluding insurance products that have a coverage period of one year or less and retirement pension products.

(2) Consists of our financial planners prior to the spin-off of HLFS in April 2021 and HLFS financial planners subsequent to the spin-off.

(3) Includes sales from our Corporate Sales division, Onsure platform, part-time financial planner and HLL channels.

Different products have different primary distribution channels. The majority of the products sold by our HLFS financial planner channel and through general agents, and substantially all of the products sold through our Onsure channel are protection-type products that generally generate relatively higher margins, while all or substantially all of the products sold through our bancassurance channel are annuities and savings products. Predominantly all of the products sold through our corporate sales channel are group life policies and retirement insurance and pension products.

The entry of new competitors to the industry, which are primarily small-to medium-sized and foreign players with a greater focus on niche distribution channels, has increased competition in the industry. In response, we have actively and effectively managed our distribution network in order to enhance the quality and efficiency of our sales representatives. As part of that effort, in April 2021, we spun off our financial planner sales team into HLFS, a wholly owned insurance general agency subsidiary, which allowed us to further specialize and grow the expertise of our financial planners in line with our strategic move towards a more productive sales force.

In addition to marketing efforts aimed specifically at attracting new customers, we engage in promotional and general corporate image advertising on various media platforms, including television, radio, printed media and digital. In particular, our digital platform, which consists of websites, mobile apps and channels on popular social media platforms, allows us to reach a greater swarth of new customers. We have also been engaged in a group-wide campaign to promote our image to differentiate our products among the numerous characteristically similar insurance products offered by our competitors. Our goal is to further strengthen our reputation so that customers favour, and insurance sales agents and representatives prefer marketing, us over other competitors.

Financial Planners

Our financial planners are our primary distribution channel for sales of our individual insurance products. Due in part to further specialize and equip financial planners to better market our life and property and casualty insurance products and to own and control the financial planner and general agency value chain, we spun off our financial planner sales team as Hanwha Life Financial Service Co., Ltd., a wholly owned subsidiary, in April 2021. HLFS is the largest general agency in Korea in terms of the number of financial planners as of 30 June 2021, according to the GIAK, and currently has an exclusive arrangement to sell life insurance products offered by HLI only and non-exclusive arrangements to sell property and casualty insurance products from HGI and others. Spinning off our financial planner sales team into a dedicated general agency subsidiary, allows us to further specialize and grow the expertise of our financial planners in marketing and customer acquisition, relations and management, while attracting and retaining top financial planners.

Financial planners for Korean insurance companies, including at HLFS, are typically women with diverse backgrounds. Financial planners work with customers through personalized consulting to formulate individualized insurance plans based on each customer's circumstances, needs and life goals, among other factors. We believe our consulting-based sales approach is well-suited to helping customers identify their financial needs and risks and understand the types of insurance coverage that would suit best for them. We believe that our financial planner sales force allows us to market our insurance products more effectively and maintain long-term relationships with our individual customers, which is essential to improve the policy retention ratio.

Financial planners at HLFS are trained to match individuals of varying income levels and demographic segments with targeted life insurance and annuity products, including individualized riders to supplement what our core products provide. Financial planners at HLFS are required to complete an in-house training program to acquire the necessary knowledge, attitude and skills to implement our consulting-based sales approach. Such training also helps enhance financial planners' motivation and morale.

As of 30 September 2021, our distribution network of financial planners in HLFS consisted of 16,875 financial planners.

General Agencies

We also engage insurance agencies that market and distribute a wide range of insurance products on a commission basis. Our arrangements with insurance agencies are entered into through agency agreements that typically have terms of one year and renew automatically at the expiration of such term in the absence of a prior notice not to renew. In the past, the Korean life insurance companies, including us, used only exclusive agencies to market and distribute their insurance products. In a typical exclusive arrangement, we provide subsidies for office equipment and furnishing expenses, in return for exclusivity over a specified period. In recent years, however, independent general agencies selling products of different insurers on a non-exclusive basis have emerged as a growing distribution channel in the insurance industry. As of 30 September 2021, we had marketing arrangements with over 140 general agencies.

Bancassurance

We have entered into bancassurance agreements with all of the leading commercial banks and many of the security firms and mutual savings banks in Korea, pursuant to which such financial institutions market and distribute our life insurance products through their branches in return for commission fees. As of 30 September 2021, we had bancassurance agreements with 16 domestic and foreign commercial banks, 16 savings banks and cooperatives and 12 securities firms. Substantially all of the products sold through our bancassurance channel are annuities and savings products. For the nine months ended 30 September 2021 and the year ended 31 December 2020, bancassurance accounted for 41.6% and 30.0% of our first-year premium, respectively, and our top four financial institution sales agents, Woori Bank, Kookmin Bank, Nonghyup Bank and Shinhan Bank, collectively accounted for over two-thirds of our premium income from the bancassurance channel.

Others

Our remaining channels include sales via our Corporate Sales Division, Onsure platform, part-time financial planners via our Life MD app and HLL. We have a corporate sales force dedicated to marketing our group insurance and retirement pension products directly to large corporations and public organizations, which use those products to provide employee benefit programs. These programs are designed to help employees accumulate financial assets, provide for their post-retirement security and insure against death during employment, thereby helping our customer corporations provide better-quality fringe benefits. We actively market pension plan products to institutional customers through our corporate sales force with a view to secure a solid share in this rapidly growing market segment. We believe that our corporate sales force enables us to build and maintain long-term relationships with our corporate customers. Onsure is our online platform from which consumers can purchase insurance products directly. Our Life MD app is an all-in-one mobile app to recruit and train part-time financial planners and provide certified financial planners with digital tools for sales. HLL is our non-exclusive general agency subsidiary.

Overseas Operations

We seek to develop a presence in overseas markets, focusing initially in the Asia Pacific region, which has exhibited significant growth potential in the life insurance market.

- ***Vietnam*** — In Vietnam, we are the first Korean insurance company to obtain a business license in 2008 and the first Korean life insurance company to commence business in 2009. HLIV, our wholly-owned Vietnamese subsidiary, had 157 agencies and two bancassurance partnerships in Vietnam as of 30 September 2021, and reported operating revenue of Won 171 billion for the nine months ended 30 September 2021 and Won 208 billion for the year ended 31 December 2020.

- ***Indonesia*** — In 2012, we entered the Indonesian market through the acquisition of a local life insurer, PT. Multicor Life, which was later renamed to PT. Hanwha Life Insurance Indonesia. HLII began operations in 2013 through agents and group channels and established bancassurance partnerships with KEB Hana Indonesia and Bank Woori Saudara in 2015. As of 30 September 2021, HLII had 14 agencies and two bancassurance partnerships in Indonesia and reported operating revenue of Won 15 billion for the nine months ended 30 September 2021 and Won 19 billion for the year ended 31 December 2020.

- ***China*** — We opened a representative office in Beijing in 2003 and established a joint venture life insurance company, SKLI, in 2012 with Zhejiang International Business Group. Since commencing operation in 2013, SKLI has focused on localization and multichannel strategies and has expanded its agency and bancassurance partnerships in major cities of Zhejiang and Jiangsu Province. As of 30 September 2021, SKLI had 32 agencies and eight bancassurance partnerships throughout China and reported operating revenue of Won 139 billion for the nine months ended 30 September 2021 and Won 215 billion for the year ended 31 December 2020.

We also have representative offices in San Francisco, Beijing, Tokyo and Fukuoka.

Investments

We invest the premiums received from our life insurance business. We manage these investments to ensure that we meet the liabilities associated with the insurance policies that we underwrite, while we realize adequate returns on our investments. Accordingly, we seek to optimize the returns of our investment portfolio and at the same time limit our overall risk exposure to an acceptable level. To this end, we maintain a prudent investment portfolio developed in close consultation with our risk management staff that carefully monitor each type of risks to which we are exposed.

Our investments are divided into two account groups, the general accounts and the separate accounts. Payments to customers for products providing a fixed benefit are made from investments in our general accounts. We bear the risk that the investments in the general accounts will not yield sufficient return to cover benefits paid on products for which premiums are calculated based on a fixed assumed rate of return. In contrast, we are required under the Regulation on Supervision of Insurance Business to maintain separate accounts for products for which customers bear the investment risk. As such, we place our assets relating to variable life insurance products and retirement insurance and retirement pension products in separate accounts, and risks associated with investments made with those assets are borne by the policyholders.

Of our total assets of Won 128 trillion as of 30 September 2021 on a separate basis, Won 102 trillion, or 79.7%, were general account assets. The balance consisted of separate account assets in the amount of Won 26 trillion. Unless otherwise noted, the information in this section relates to our general account assets on a separate basis.

Management of Investments

In managing the investments of our general account assets, our fundamental policy is to build an investment portfolio that would sustain stable long-term returns, taking into account anticipated risks and returns as well as flexibility to quickly respond to changes in financial conditions and the investment environment.

In an effort to ensure stable and sustainable returns, we utilize ALM, which is a strategic management tool to manage interest rate risk and liquidity risk with a view to managing risks that arise due to mismatches between the assets and liabilities. Our Risk Management Team defines the framework of our ALM approach based on regular review of performance and risk positions, and within this risk management framework our Investment Business Team works out long-term strategic asset allocations comprising domestic debt securities, foreign currency denominated securities, retail finance and institutional finance. Our Asset Allocation Committee, chaired by the Head of the Investment Business Team, meets at least quarterly to review such allocations and to make high-level asset mix decisions depending on the then prevailing market conditions.

Historically, like other major life insurance companies in Korea, we offered savings insurance policies, fixed annuities and other products with relatively high guaranteed rates of return when prevailing market interest rates were relatively high. As prevailing interest rates have declined in recent years, interest rates earned by us for those products have fallen below the assumed interest rates used in the calculation of premiums and fees. As a result, the substantial shortfall between the market interest rates and the fixed return rates have resulted in a negative interest rate spread. See "*Risk Factors — Risks Relating to Our Business — We continue to experience a negative spread on certain high guaranteed rate of return products remaining outstanding*."

We make investment decisions based on the following four principles:

- *Profitability.* We seek to expand long-term investment returns by actively managing our asset portfolio and selectively investing in the assets that bear a favourable risk-return profile in our analysis.

- *Soundness.* We seek to maintain a high-quality portfolio consisting of sound assets.

- *Improved infrastructure.* We seek to continue building internal expertise in asset management and to continually improve the related information and communications systems.

- *Synergy effects.* We seek to maximize synergistic effects created by collective asset management efforts of the Hanwha Group member companies in the financial industry, and to facilitate information flows within those companies. For example, we outsource the management of various securities including domestic and foreign assets to Hanwha Asset Management, our wholly own subsidiary, while actively engaging in the decision making of the long-term and strategic asset allocation. We believe that our relationship with Hanwha Asset Management allows us not only to utilize outsourcing to improve our asset management expertise in a cost-efficient manner but also to better manage investment risks of our overseas investments through outsourcing and to build a more professional asset management staff through an active exchange of experiences and know-how.

When a new high-risk investment opportunity is presented for consideration, such as derivatives and alternative investments, our Risk Management Team reviews potential risks from various perspectives. We conduct a new risk management assessment when investing in a high-risk product or a product whose stop-loss limit is not limited to 20% or less of the value of the product. The Risk Management Team determines whether the product presents new types of risk, and if new types of risk are presented, the team analyses the new risk factors of the product and prepares a risk management plan, including loss limits, for submission to the Risk Management Council. After the Risk Management Council and provides its opinions, the plan is further reviewed by the Asset Management Council. When investing in alternative investments (whether domestic or overseas), the Risk Management Team has the right to veto the investment depending on the amount of the investment and the investment assessment rating received from the Risk Management Council and Asset Management Council. When making such an investment the Risk Management Team must submit a risk analysis report to the Asset Management Council. The Asset Management Council must approve before the investment can be made. After the investment has been made, we regularly conduct post-investment reviews, which include re-evaluate investment and stop-loss limits, to monitor our investments.

Overall Composition

Our asset management team maintains a diversified investment portfolio to generate investment returns to support our liabilities to our policyholders. As of 30 September 2021, our general account investment assets amounted to Won 99 trillion on a separate basis, consisting primarily of domestic debt securities and loans. Our portfolio traditionally has a high proportion of debt securities compared to equity securities with 40.5% of the total general account invested assets comprising of domestic debt securities as of 30 September 2021. In addition, we invest insurance premiums received from our policyholders in long-term bonds (including government bonds and corporate bonds with AAA ratings by Korean rating agencies), domestic equity securities, foreign currency denominated securities and investment properties. We also make loans to individuals and institutions, including policy loans, secured loans and unsecured loans.

Our overall investment returns on the general account investment assets were 3.70%, 3.45% and 3.47% for the years ended 31 December 2018, 2019 and 2020, respectively, and 3.41% and 3.59% for the nine months ended 30 September 2020 and 2021, respectively, on a separate basis.

The following table provides a breakdown of our invested assets and other assets in our general accounts as of the dates indicated, on a separate basis.

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(in billions of Won, except percentages)							
Cash and Deposits	₩ 1,414	1.6%	₩ 845	0.9%	₩ 610	0.6%	₩ 571	0.6%
Loans	20,555	22.9	22,372	23.2	22,669	23.0	21,803	22.0
Domestic Debt Securities	28,741	32.0	30,243	31.4	36,262	36.8	40,132	40.5
Domestic Equity Securities	1,323	1.5	1,258	1.3	1,740	1.8	2,672	2.7
Domestic Beneficiary Certificates	9,313	10.4	10,594	11.0	13,104	13.3	12,903	13.0
Foreign Currency Denominated Securities	24,914	27.8	27,654	28.7	20,765	21.1	18,020	18.2
Real Property Investments	3,501	3.8	3,495	3.5	3,406	3.4	3,106	3.0
Total	**₩89,760**	**100.0%**	**₩96,461**	**100.0%**	**₩98,557**	**100.0%**	**₩99,207**	**100.0%**

Domestic Debt Securities

Domestic debt securities consist mainly of government and public bonds, special bonds, financial bonds and corporate bonds with high credit quality. These securities include both publicly traded and privately placed bonds. The government and public bonds include debt securities issued by Korean national and local governments and other public entities. Special bonds are bonds issued by quasi-government entities established pursuant to special Korean laws and regulations, while financial bonds are bonds issued by Korean commercial banks.

The following table sets forth the carrying value of our domestic debt securities in our general accounts on a separate basis, as of the dates indicated.

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(in billions of Won, except percentages)							
Domestic debt securities, at fair value through profit or loss or available-for-sale:								
Government bonds	₩ 942	12.4%	₩13,508	44.7%	₩18,994	52.4%	₩23,850	59.4%
Special bonds	3,619	47.7	12,598	41.7	12,634	34.8	12,062	30.1
Financial bonds	779	10.3	599	2.0	665	1.8	629	1.6
Corporate bonds	2,252	29.6	3,538	11.6	3,969	11.0	3,592	8.9
Subtotal	**₩ 7,593**	**100.0%**	**₩30,243**	**100.0%**	**₩36,262**	**100.0%**	**₩40,132**	**100.0%**
Domestic debt securities held to maturity:								
Government bonds	₩11,110	52.5%	₩ –	–%	₩ –	–%	₩ –	–%
Special bonds	9,187	43.4	–	–	–	–	–	–
Financial bonds	–	–	–	–	–	–	–	–
Corporate bonds	851	4.1	–	–	–	–	–	–
Subtotal	**₩21,148**	**100.0%**	**₩ –**	**–%**	**₩ –**	**–%**	**₩ –**	**–%**
Total domestic debt securities	**₩28,741**	**100.0%**	**₩30,243**	**100.0%**	**₩36,262**	**100.0%**	**₩40,132**	**100.0%**

The following table shows a breakdown of domestic debt securities in our general accounts on a separate basis, by contractual maturity dates, as of the dates indicated.

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(in billions of Won)							
Due in one year or less	₩ 358	1.2%	₩ 828	2.7%	₩ 617	1.7%	₩ 905	2.3%
Due after one year and through five years	6,728	23.4	6,558	21.7	7,324	20.2	6,639	16.5
Due after five years and through ten years	10,491	36.5	9,856	32.6	7,534	20.8	7,953	19.8
Due after ten years	11,163	38.9	13,001	43.0	20,787	57.3	24,635	61.4
Total domestic debt securities	**₩28,741**	**100.0%**	**₩30,243**	**100.0%**	**₩36,262**	**100.0%**	**₩40,132**	**100.0%**

Domestic Equity Securities

Domestic equity securities consist mainly of listed and unlisted shares of common and preferred stock of Korean companies and ownership interests in domestic partnerships. By carrying value, substantially all of our domestic equity securities as of 30 September 2021, were listed on the Korea Exchange, or were not publicly traded but could reasonably be assigned a fair value.

The following table sets forth the carrying values of our domestic equity securities in our general accounts on a separate basis, as of the dates indicated.

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(in billions of Won, except percentages)							
Listed shares	₩ 64	4.8%	₩ 300	23.8%	₩ 352	20.2%	₩ 521	19.5%
Unlisted shares	617	46.6	225	17.9	109	6.3	192	7.2
Equity investments in our subsidiaries, jointly controlled entities and associates	642	48.6	734	58.3	1,279	73.5	1,958	73.3
Total domestic equity securities	**₩1,323**	**100.0%**	**₩1,258**	**100.0%**	**₩1,740**	**100.0%**	**₩2,672**	**100.0%**

Domestic Beneficiary Certificates

Our holdings of domestic beneficiary certificates, evidencing ownership in investment trusts managed by investment management companies in Korea, represented 10.4%, 11.0% and 13.3% of our total general account investment assets as of 31 December 2018, 2019 and 2020, respectively, and 13.0% as of 30 September 2021 on a separate basis.

The following table sets forth the carrying values of our beneficiary certificates, on a separate basis, as of the dates indicated.

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(in billions of Won, except percentages)							
Beneficiary certificates, trading:								
MMF type funds	₩1,272	13.7%	₩ 1,506	14.2%	₩ 2,019	15.4%	₩ 1,313	10.2%
Bond type funds	–	–	–	–	–	–	–	–
Equity type funds	–	–	–	–	–	–	–	–
Beneficiary certificates, available for sale:								
Bond type funds	6,584	70.7	7,953	75.1	10,318	78.7	10,853	84.1
Equity type funds	1,457	15.6	1,135	10.7	767	5.9	737	5.7
Total beneficiary certificates	**₩9,313**	**100.0%**	**₩10,594**	**100.0%**	**₩13,104**	**100.0%**	**₩12,903**	**100.0%**

Foreign Currency Denominated Securities

Foreign currency denominated securities consist mainly of foreign-denominated debt securities, most of which are issued by Government-controlled entities and “blue-chip”-type, large-capitalization corporate issuers with investment grade credit profiles. Our holdings of foreign currency denominated securities are primarily denominated in U.S. dollars. The carrying value of our foreign currency denominated securities amounted to Won 18 trillion as of 30 September 2021, on a separate basis.

The following table sets forth the carrying value of our foreign currency denominated securities in our general accounts on a separate basis, as of the dates indicated.

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(in billions of Won, except percentages)							
Bonds	₩22,156	89.0%	₩23,367	84.5%	₩17,707	85.3%	₩14,295	79.3%
Structured securities	748	3.0	1,124	4.1	958	4.5	844	4.7
Beneficiary certificates	1,431	5.7	2,446	8.8	1,342	6.5	1,816	10.1
Equity securities	579	2.3	717	2.6	758	3.7	1,064	5.9
Total foreign currency denominated securities	**₩24,914**	**100.0%**	**₩27,654**	**100.0%**	**₩20,765**	**100.0%**	**₩18,020**	**100.0%**

We seek to hedge our foreign currency exposure from holding foreign currency denominated securities at the time of investment through currency swap contracts or other derivative instruments.

Loans

We offer various loan products, including policy loans, unsecured credit loans and secured loans, to qualified individual and institutional borrowers. The following table sets forth a breakdown of our loan portfolio in our general accounts on a separate basis, as of the dates indicated. The loan amounts stated in the table below are before deduction of present value discount and provision for impairment and addition of deferred loan origination fees and costs.

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)							
Policy loans	₩ 6,358	30.9%	₩ 6,664	29.8%	₩ 6,608	29.1%	₩ 6,737	30.8%
Loans secured by real estate	6,150	29.9	6,892	30.8	8,480	37.4	8,083	37.0
Unsecured loans	6,824	33.1	7,804	34.8	6,505	28.7	6,050	27.7
Loans secured by third party guarantee	670	3.3	636	2.8	670	3.0	602	2.8
Other loans	588	2.9	402	1.8	433	1.9	370	1.7
Total loans	**₩20,590**	**100.0%**	**₩22,398**	**100.0%**	**₩22,696**	**100.0%**	**₩21,842**	**100.0%**

Policy loans are interest-bearing loans to our policyholders, who may borrow from us up to approximately 70% to 95% of the cash surrender value, or the amount available in cash upon cancelation of an insurance policy before it becomes payable upon death or maturity, of their insurance policies depending on the type of policy. Policy loans are secured by the cash surrender value of their policies, and interest rates charged on these loans range from 2.46% up to 9.9% per annum. See "*Regulation and Supervision — Risk-Based Supervision of Insurance Companies"* for more details on the risk-based capital system.

We offer unsecured credit loan products. We provide unsecured loans of up to Won 100 million to retail customers at the interest rates ranging from 5.4% to 14.0% per annum. The maturity of these retail credit loans is typically 12 months and can be extended at the stated maturity date. We also provide credit loans to institutions, principally in connection with project financings which have become a significant part of our loan portfolio in recent years as interest rates on debt securities remained low. Increases in our portfolio of project financing loans may slow once interest rates begin to rise. Many of these institutional credit loans are project financing loans for infrastructure or social overhead capital projects for the Government, local governments, or other government entities on a "build- transfer-operation" or "build-transfer-lease" basis, or loans to construction companies with high credit ratings. Terms of institutional credit loans vary on a case-by-case basis.

We also offer loans secured by real estate, third party guarantees or securities. For loans secured by residential properties, we provide loans with the maximum loan-to-value ratio of 70% for a period ranging from 15 to 35 years depending on the location of the real estate and applicable loan regulations. Interest rates charged on these loans typically amount to 100 basis points above the market interest rate for domestic government bonds of 30 years maturity, with our preferred customers receiving rate discounts of up to 20 basis points on certain loan products. Loans secured by third party guarantees generally relate to financing of civil engineering infrastructure projects that are guaranteed by the Korea Infrastructure Credit Guarantee Fund, a government entity designed to support large-scale infrastructure projects.

Other loans consist of private placement corporate bonds, commercial paper and asset-backed securities.

The following table shows a breakdown of our loan portfolio in our general accounts by contractual maturity dates, on a separate basis, as of the dates indicated.

	As of 31 December			As of 30 September
	2018	2019	2020	2021
	(in billions of Won)			
Due in three months or less	₩ 346	₩ 242	₩ 304	₩ 258
Due after three months	20,208	22,130	22,365	21,545
Total loans	**₩20,554**	**₩22,372**	**₩22,669**	**₩21,803**

We closely monitor loans which we consider having higher than usual credit risk. We use an internally developed credit review system to review the creditworthiness of borrowers applying for loans and the accuracy of the information provided by such applicant. Our credit review system takes into account information provided by the borrower on their applications, together with transaction history and credit information obtained from internal and external databases. The amount of any credit loan available to a borrower and debt servicing cost of such loan are based, among other things, on the amount of collateral, the internally generated credit score of the borrower and the liquidity and volatility of the collateral.

We monitor the borrower's condition with respect to the borrower's current debt, collateral and debt service capability on a monthly basis or, for retail borrowers, on a daily basis. In the case of retail borrowers, we monitor the change in delinquency rate of the borrower by checking the occurrence of delinquencies on a daily basis, while engaging in roll rate and vintage analysis of each loan category and product on a monthly basis. Based on our review, we may adjust the borrower's credit limits, applied interest rates and the credit policies relating to that borrower. We also review the liquidation value of collateral we hold on an annual basis to assess the actual liquidation value of collateral, determine the recovery rate on our loans and use this information in determining maximum borrowing amounts, as well as in setting our credit risk management and loan policies. We believe that our risk management procedures have allowed us to maintain a low non-performing loan (substandard and below) ratio relative to our competitors.

The following table provides a breakdown of our loan portfolio on a separate basis, including both general accounts and separate accounts, as of the dates indicated, applying the asset quality categories as determined under the Regulation on Supervision of Insurance Business. The loan amounts stated in the table below are before deduction of present value discount and provision for impairment and addition of deferred loan origination fees and costs.

	As of 31 December			As of 30 September
	2018	2019	2020	2021
	(in billions of Won)			
Normal	₩21,864	₩24,163	₩24,747	₩24,233
Precautionary	88	97	90	79
Substandard	125	3	3	2
Doubtful	11	12	11	10
Estimated loss	4	6	5	4
Total loans	**₩22,092**	**₩24,281**	**₩24,856**	**₩24,328**

Real Property Investments

Our real property investments consist of real property held as investment properties, including land and buildings, as well as property used in our operations, which are classified as part of our general account investment assets under FSC guidelines.

The following table presents a breakdown of our real property investments as of the dates indicated.

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Carrying Value	%	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(in billions of Won, except percentages)							
Land	₩1,990	56.8%	₩1,990	57.0%	₩1,965	57.7%	₩1,830	58.9%
Buildings	1,508	43.1	1,497	42.8	1,421	41.7	1,274	41.0
Structures	0.2	*N/M*	0.2	*N/M*	0.2	*N/M*	0.2	*N/M*
Construction in progress	2	0.1	7	0.2	20	0.6	2	0.1
Total real property investments	**₩3,500**	**100.0%**	**₩3,494**	**100.0%**	**₩3,406**	**100.0%**	**₩3,106**	**100.0%**

N/M = Not Meaningful

Operations

Pricing

We determine the price of our premiums based on the cash flow pricing system. Under the cash flow system, premiums are calculated by using various factors affecting cash flow, such as capital cost, investment return and sales volume, in addition to the factors used under the three-source or four-source method, which consists of expected interest rate, risk rate, expense ratio and, in the case of the four-source method, termination rate. We set the target premium for each product and apply a method that best satisfies the target profitability based on the target premium. In the cash flow method, the basic rate is set as the best assumption and the expected profit is separated from the expected basic rate, so that the profitability and sensitivity of the product can be analysed at the time of product development, and margins can be set for each basic rate after product sales. In the event that the assumptions used in the pricing of any of our insurance products appear to deviate significantly from our subsequent experience, we discontinue further sales of such products and replace them with new products having such terms and prices that preserve our intended margins. Under the cash flow pricing system, we are able to calculate insurance premiums specifically tailored for different marketing strategies, types of insurance products and customer characteristics.

Actuarial Practices

We have approximately 200 actuarial staff as of 30 September 2021, and over 60 of them have international or Korean actuarial qualification. This team of actuaries provides actuarial support to our other key business units. We have also established a set of comprehensive procedures and actuarial assumption standards for our product development process. After we launch a new product, our product management staff monitors the sales and actual experience of the product and provides feedbacks to relevant personnel. We believe that our comprehensive product development procedures and our team of actuarial professionals enable us to maintain our competitive position.

We closely monitor mortality, morbidity, expense and lapse on a quarterly basis. These studies will form the basis for our assumption setting in pricing, reserving and projection. Our actuarial team conducts periodic reviews of our reserves to ensure that our reserves will meet our future obligations. In addition, our actuarial team monitors our solvency margin ratio on a monthly basis.

Underwriting

We maintain underwriting policies and guidelines intended to avoid or minimize actual insurance payment events deviating from the expected mortality and morbidity rates and certain other assumptions used when pricing our products. Our insurance underwriting involves the evaluation of policy applications for our insurance products by our professional staff of underwriters and, depending on the amount of benefits, other managers and medical professionals. Our underwriters determine whether the risk related to a particular applicant, including mortality and morbidity risk and risk of insurance fraud, is consistent with the amount of risk we are willing to accept, considering the risk characteristics of the individual to be insured such as a detailed medical condition, occupation and financial profile.

We have a centralized risk evaluation process to enhance consistency and professional handling to maintain strict guidelines for different types of examinations required depending on the risk types and amounts of policies. We have a comprehensive medical underwriting manual titled the "Hanwha Life Insurance Risk Assessment System," which provides systematic guidelines that largely conform to the medical underwriting guidelines of leading international reinsurers. For example, for an insurance policy that provides for death benefits exceeding a specified level, the individual to be insured must undergo certain specified medical examinations performed by physicians employed by or affiliated with us. Other products offering lower levels of death benefits require simplified examination procedures, such as interviews with insurance inspectors, submission of the results of a medical check- up, or in some cases only a written self-declaration.

To maintain high standards of underwriting, we operate systematic training programs to our underwriters and encourage them to obtain domestic and international licenses. As of 30 September 2021, our 38 in-house underwriters possessed eight certificates, 19 associate certificates and six fellow certificates issued by the Korea Life Underwriter Association and four associate certificates and one fellow certificate issued by the Academy of Life Underwriting in recognition of successful completion of advanced courses of study in life insurance underwriting. Our underwriters monitor the insurance payments that we make under each product and use the claim data we gather as the basis for any subsequent changes to the product and to adjust specific underwriting risk management policies and pricing. We also operate underwriting and claims management within the same business division, which distinguishes us from other major life insurers in Korea and which enables us to complement both functions more effectively.

On average, the underwriting process takes approximately four days from the day an application is received. To maintain high standards of underwriting quality and consistency, we engage in internal audits of our underwriting practices.

Claims Management

Our claims management process is designed to handle legitimate policyholder claims efficiently while filtering out invalid or fraudulent claims through thorough investigation of suspicious claims. In the past we received claims from policyholders through our claims management staff located in branch offices and customer centres who then reviewed the claims to approve payments unless they determined in their judgment that further examination is needed. To ensure consistency and professionalism, we maintain a centralized process under which claims are submitted through our local claims management staff, who forwards the claims to our centralized claims review centre where our staff reviews such applications, monitors claims and requests additional information where appropriate.

When a claim is approved, we typically make payments within three working days from the receipt of the claim. Where our claims settlement team determines that further investigation is needed, we engage Hanwha I&A Co., Ltd., our wholly-owned subsidiary, to verify the claims. As of 30 September 2021, our in-house claims management staff consisted of approximately 45 employees and Hanwha I&A Co., Ltd. had over 570 claim management staffs. We have established authority levels for all individuals involved in the settlement of claims.

Reinsurance

Reinsurance is an arrangement in which an insurance company cedes all or a portion of specified risks that it has underwritten, together with all or a portion of the premiums it receives under the corresponding policies, to a reinsurer that agrees to assume those specified risks and pay the insurance company for all or a portion of the insurance company's losses arising under the reinsured policies. Under the Current Solvency Margin Ratio, an insurance company may also buy reinsurance to reduce net liability on individual risks and which would allow the ceding company to write more business than would be possible without a simultaneous increase in capital and surplus. Purchasing reinsurance has little impact on the risk-based capital ratio of an insurance company.

We cede risks we assume under our life insurance products for reduction in our exposure to individual risks and for the effect of reinsurance on our solvency margin ratio. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk-Based Capital Adequacy Requirements*." We have entered into various reinsurance agreements with a number of established reinsurers such as Reinsurance Group of America, Korean Reinsurance Company and Munich Reinsurance Company. These reinsurance agreements spread the risk and reduce the effect on us of potential losses. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse us for the ceded portion in the event the claim is paid.

During the years ended 31 December 2018, 2019 and 2020, reinsurance premiums paid by us to third party reinsurers totalled Won 171.8 billion, Won 170.6 billion and Won 184.4 billion, respectively, and Won 136.2 billion and Won 150.6 billion for the nine months ended 30 September 2020 and 2021, respectively, on a separate basis. During the years ended 31 December 2018, 2019 and 2020, reinsurance claims received by us amounted to Won 132.5 billion, Won 135.2 billion and Won 145.7 billion, respectively, and Won 108.3 billion and Won 123.0 billion for the nine months ended 30 September 2020 and 2021, respectively, on a separate basis. During the years ended 31 December 2018, 2019 and 2020, reinsurance claims and ceded reinsurance commissions received by us amounted to Won 164.3 billion, Won 162.5 billion and Won 174.1 billion, respectively, and Won 128.8 billion and Won 143.9 billion for the nine months ended 30 September 2020 and 2021, respectively, on a separate basis.

Collection

Our primary method of collecting premiums is automatic withdrawals from bank accounts. If payment is not received on the due date, we attempt to collect every five days, and we consider a policy to be delinquent if payment of the balance of such premium payable under policy is not received until the end of the month of the due date. Our collection procedures include contacting the customers by mail, e-mail and mobile text messaging and sending out overdue payment notices. We discontinue insurance coverage if the policy remains delinquent for two months.

Customer Support

We offer a variety of customer services to maintain and retain our existing policyholders. We deliver customer services mainly through our customer service units operating in our branch offices, customer service offices and call centres throughout Korea, telephone call centres and Financial Advisor Centers, as well as chatbots on our website and mobile apps.

Call Center Network

We operate three professional call centres during business hours to answer telephone inquiries from policyholders. These centres provide customers a convenient means to ask questions, access detailed information about, and make changes to, existing policies, and request information about our other products and services. In addition, our 24-hour automated response system reviews our customer database when the caller enters his or her resident identification number, addresses basic policy inquiries and connects our preferred customers to customer service representatives on a priority basis.

Financial Advisor Centers

We operate Financial Advisor Centers, or FA centres, where we deliver asset management consulting services and financial advisory services to our high-value customers, such as the wealthy, business owners and professionals. Our FA centres also operate specialist groups consisted of tax, investment and real estate specialists that provide FA centre managers with expert quality information. We devote significant attention to the training of our financial advisers and the promotion of the brand image of our FA centres as a comprehensive financial consulting provider. Recently, we have witnessed a significant increase in our customers' consulting sessions in our FA centres, and we expect this trend to continue.

Consumer Complaints Management System

Our Consumer Complaints Management System is designed to reduce customer complaints at source and respond to complaints received in a timely manner. We operate a dedicated division to manage consumer complaints based on internal operation guidelines and educate our employees to promote effective execution of the system.

Information Technology

We use information technology and other systems to facilitate all aspects of our businesses, including the management of our policies, the investments of our assets, and the maintenance of statistics and customer personal information. Our primary information technology systems are housed in a data centre in our corporate headquarters. We also maintain an off-site disaster recovery centre in Yong-In City in the Seoul metropolitan area and call centres in Seoul and Busan to receive telephone inquiries from customers, as well as an internet website to facilitate customer transactions. We have also established a contingency plan to help respond to a potential situation in which our computer systems cease to operate as the result of a large-scale disaster, including procedures to restore and maintain operations.

While our information systems are operated by our full-time teams, we also contract with a number of third- parties for services relating to our information technology and other systems. These services include the maintenance and development of our primary information technology systems and our back-up systems, as well as the maintenance of the telecommunications and information management systems at our customer call centres and our internet website. While we have delegated certain of our ICT functions to Hanwha Systems, an ICT service provider in the Hanwha Group, we intend to continue to make significant investments in our information technology and other systems, including our back-up systems, to improve our operations management and customer service and reduce the risk of system failures and the impacts these failures may have on our business. We have also implemented information systems utilizing artificial intelligence and big data technology in order to calculate insurance premiums and conduct comprehensive and in-depth analysis on customers' needs and behavioural patterns, and to ultimately capture emerging niche markets including market segments for high net-worth individuals. We have also invested in cloud, artificial intelligence and robotic process automation technologies to increase the speed and automation of our operations.

Real Properties and Intellectual Property

We own or lease real property for our headquarters in Seoul and our branches and other facilities located across Korea and overseas. As of 30 September 2021, the total value of the properties owned by HLI on a separate basis was Won 3,106 billion, which includes our headquarters building with a book value of Won 1,098 billion. Portions of the buildings we own are leased to various tenants, including Hanwha Group companies, on an arm's length basis. We believe our properties are adequate and suitable for our businesses as currently conducted.

Our brand, trade names, trademarks, trade secrets and other intellectual property rights distinguish our business platform, services and products from those of our competitors and contribute to our competitive advantage. To protect our intellectual property, we rely on a combination of trademark, copyright and trade secret laws as well as confidentiality agreements with our employees, sales representatives, contractors and others.

Insurance

We maintain insurance to cover risks associated with the ordinary operation of our business, including fire and casualty insurance policies with respect to our headquarters, branch and sales office facilities, as well as director and officer liability insurance coverage for up to Won 40 billion. All such insurance policies are reviewed annually, at which time the insured amounts are determined. All of our policies are underwritten by reputable insurance providers in Korea. We believe that our insurance coverage is similar in scope to those customary for life insurance companies in Korea.

Employees

As of 30 September 2021, we had a total of 52 executive officers and 2,694 employees in our headquarters and branch offices on a separate basis.

A total of 44% of our full-time non-management employees are members of a labour union. Our management and labour union negotiate and enter into collective bargaining agreements on a biannual basis and binding annual wage agreements on an annual basis. In general, we consider our labour relations to be good.

We consider our level of remuneration and non-wage benefits to be generally competitive and, in some respects, superior to those offered by other major life insurers in Korea. We provide a wide range of fringe benefits to our employees, including educational subsidies for long-term employees' children, welfare subsidies, special holidays and subsidies for significant personal events (such as marriage, death of family members or birth of children), transportation subsidies, meal subsidies, periodic health examinations, use of recreational facilities and death and health insurance. In addition, we provide credit loans for home rentals of up to Won 50 million as well as mortgage loans secured by residential property of up to Won 50 million to our employees.

We seek to provide a multi-level training program for our employees. New employees and employees at different levels are encouraged to participate in periodic seminars and other training programs that we sponsor at various locations, and we provide a group-wide training program for our key talents. Our employees also attend a certain number of mandatory training courses, and their evaluations are reflected in their overall job performance reviews. We also encourage our employees to acquire professional licenses and provide scholarships for higher education in and out of Korea with a view to maintaining a professional work force.

In accordance with the National Pension Act of Korea, we contribute an amount equal to 4.5% of an employee's standard monthly wages, and each employee contributes 4.5% of his or her standard monthly wages, into his or her personal pension account. In accordance with the Korean Employee Retirement Benefit Security Act, we make periodic contributions to the pension accounts of our employees, and upon retirement, such employees will be paid from their pension accounts.

Legal and Regulatory Proceedings

We are subject to certain claims and are a party to certain legal proceedings, including litigation over denial of claims, and regulatory proceedings in the ordinary course of our business. As of 30 September 2021, on a separate basis, we were defendants in 123 legal proceedings and the aggregate amount of claims brought against us totalled Won 146 billion. As of the same date, we recorded a total provision of Won 117 billion for all potential legal claims against us. The majority of our legal disputes arise out of claims by our customers alleging that financial planners insufficiently explained our insurance or investment products at the time of sale, insurance settlement claims by our customers, commission-related claims by financial planners, and claims of fraud or other misconduct by our agents or employees. We have incurred, and expect to incur in the future, costs or losses relating to such legal disputes with our customers. Recent or pending legal and regulatory proceedings include the following:

- In May 2019, the FSS announced a general examination of the practices of insurance companies, including us. In November 2020, the FSS determined that we had provided Hanwha Galleria Timeworld, one of our shareholders, with an undue benefit in connection with the lease granted to its duty-free shop in the 63 Building, our headquarters, in August 2015. In addition, the FSS found that during January 2015 to May 2019, we had underpaid or failed to pay insurance benefits on over 4,700 insurance policies amounting to approximately Won 2 billion in the aggregate. As a result, the FSS assessed an institutional warning and a fine totalling Won 2 billion, which we are currently appealing.

- Since 2018, Korean life insurance companies, including us, have faced a series of litmus case lawsuits from policyholders of certain annuity products regarding disputes in the calculation of annuity distributions. As of 30 September 2021, we were named as defendants in five cases relating to our Baro pension plan with stated claims of Won 0.5 billion in the aggregate. In October 2021, the district court in one of these lawsuits ruled in favour of the policyholders, and such ruling by the district court is currently under appeal by us. In the midst of these legal proceedings, additional policyholders of our Baro pension plan may be encouraged to bring additional lawsuits against us. If the courts eventually find for the policyholders, our liabilities may extend to the entire class of policyholders of this product, all of whom we may need to compensate in order to extinguish all active and potential claims against us. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — 2020 compared to 2019 — Non-Operating Revenues/Expenses (Net).*"

- Since 2016, we have faced a series of lawsuits from current and former employees over claims that we had failed to pay or had underpaid such employees their wages pursuant to the Supreme Court of Korea interpretation of "ordinary wages" under the Labor Standards Act in December 2013. See "*Risk Factors — Risks Relating to Our Business — We may* *be exposed to potential claims for unpaid wages and become subject to additional labour costs arising from the Supreme Court of Korea's interpretation of ordinary wages*." As of 30 September 2021, we were named as defendants in three cases, at various stages of legal proceedings, relating to stated claims of Won 2 billion in the aggregate related to the interpretation of "ordinary wages ."

Except as described above, we are not currently involved in, nor is our management aware of any threat of, any litigation or other legal proceedings that, if determined adversely to us, would individually or in the aggregate be expected to have a material adverse effect on our financial condition or results of operations.

Competition

There is significant competition in the Korean life insurance industry. Competition is based on a number of factors, including brand recognition, service, product features, price, quality of investment advice, investment performance, perceived financial strength and credit ratings. In recent years, there has been downward pressure on margins of life insurance products as some of our competitors have sought to obtain or maintain market share by reducing margins and increasing marketing efforts. As the Korean life insurance industry continues to mature, it may experience a slowdown in growth as well as a stagnation in market penetration. Due to these and other factors, we believe that competition in the Korean life insurance industry will likely remain intense in the future. See "*Risk Factors — Risks Relating to our Business — There is significant competition in the industries in which we operate, and we may experience declines in our market shares and profitability as a result*."

Consolidated Subsidiaries

As of 30 September 2021, we had 143 consolidated entities, consisting of subsidiaries and investment vehicles in which we own beneficiary certificates. The following are descriptions of our material subsidiaries.

Hanwha General Insurance

Hanwha General Insurance Co., Ltd., one of our consolidated subsidiaries, is a mid-sized property and casualty insurance company that offers a wide range of property and casualty insurance products, including long-term insurance products that provide protection against losses arising from a policyholder's illness, injuries, property losses or other events while also featuring a savings component. HGI also offers automobile insurance and other general property and casualty insurance products. As of 30 September 2021, HGI had approximately 8 million property and casualty insurance policies in force. Total assets of HGI on a separate basis represented 12.5% of our consolidated total assets as of 30 September 2021, while profit from HGI on a separate basis, without intercompany adjustments, represented 19.1% and 36.6% of our consolidated profit for the nine months ended 30 September 2021 and the year ended 31 December 2020, respectively. As of 30 September 2021, we had a 51.4% equity interest in HGI.

Products and Services of HGI

HGI offers a variety of property and casualty insurance products, including long-term insurance products with a coverage period of at least three years that have features similar to protection-type products of HLI and provide protection against a policyholder's illness, injuries, property losses or other events. HGI also offers automobile insurance and general property and casualty insurance products to both institutions and individuals.

The following table sets forth information about HGI's gross direct written premiums by product type, on a separate basis, for the periods indicated.

	For the Year Ended 31 December						For the Nine Months Ended 30 September			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)									
Long-term insurance	₩4,196	74.9%	₩4,486	75.2%	₩4,644	75.7%	₩3,432	77.2%	₩3,495	77.9%
Automobile insurance	874	15.6	861	14.4	814	13.6	606	13.6	558	12.4
General property and casualty	436	7.8	532	8.9	443	7.5	350	7.9	388	8.6
Fire	28	0.5	24	0.4	21	0.4	15	0.3	14	0.3
Marine	40	0.7	42	0.7	42	0.7	36	0.8	35	0.7
Specialty ..	368	6.6	466	7.8	380	6.4	299	6.8	339	7.5
Personal annuities	97	1.7	86	1.5	75	1.2	56	1.3	47	1.1
Total	**₩5,603**	**100.0%**	**₩5,965**	**100.0%**	**₩5,976**	**100.0%**	**₩4,444**	**100.0%**	**₩4,488**	**100.0%**

Long-term Insurance

Long-term insurance, which accounts for a substantial majority of the gross direct written premiums of HGI, refers to insurance policies sold to retail customers that provide protection against various types of losses, with specified coverage periods usually of at least three years and ranging up to 30 years or ending at specified ages in general. Unlike general property and casualty insurance products, which usually have a coverage period of one year or less and only have pure protection features, most long-term insurance policies in Korea also have an integrated savings feature. Premiums for long-term insurance products, which are typically set as a fixed sum and are usually required to be paid over the coverage period or another predetermined payment period, include a predetermined savings portion. Upon the expiration of the coverage period, the accumulated savings portion is returned to the policyholder together with interest. Approximately two-thirds of HGI's currently offered long-term insurance products are subject to a floating interest crediting rate. The relative portion of the savings component in a long-term insurance policy typically varies by product type as well as the policyholder's age and gender.

HGI offers a broad range of long-term insurance products covering the policyholder's injuries, illnesses, long-term care, disabilities, accidents, property losses or other events, including:

- fire and property insurance products;
- defined health benefit insurance products;
- medical expense reimbursement insurance products;
- long-term care insurance products;
- accident insurance products; and
- other insurance products that combine features of the above products.

Customers can also choose from various options which enable them to tailor their policies to meet their particular needs by integrating specific features and enhancing the coverage level provided by their policies. For example, HGI's Safe Together insurance product insures two or more family members under one policy. HGI's policies are developed particularly to address the insurance needs of specific demographic segments and the relevant life stages of policyholders, including age-specific products aimed at children and senior citizens.

Automobile Insurance

HGI offers automobile insurance products to retail and institutional customers in Korea through offline channels.

Its automobile insurance products generally provide coverage up to specified maximum amounts for the following types of losses resulting from the policyholder's ownership or use of an insured automobile:

- liability to third parties for bodily injuries or death as well as damage to automobiles or other personal property, including for amounts exceeding the minimum compulsory coverage required under Korean law; and
- the policyholder's own bodily injuries and automobile damage or theft, including injuries or death of the policyholder due to an accident involving an uninsured vehicle.

Additional protection features are available for integration into an automobile insurance policy based on the customer's needs and preferences. HGI's automobile insurance policies typically have a coverage period of one year or less.

General Property and Casualty Insurance

HGI's general property and casualty insurance products, which are sold to corporate and institutional customers, include the following:

- fire and allied lines insurance policies, providing protective coverage for damage to buildings and facilities and their contents against fire, flood, storm, lightening, explosion, theft and other risks;
- marine insurance policies, providing protective coverage for damage to marine vessels and their cargo; and
- specialty insurance policies, which cover various other types of specified risks faced by businesses, including liabilities and business interruption.

Distribution and Marketing Channels of HGI

HGI operates a multi-channel distribution and marketing platform in Korea, which includes financial planners, general agencies, bancassurance and online platforms. HGI's financial planners were not spun-off to HLFS in April 2021.

General Account Investments of HGI

As of 30 September 2021, HGI had Won 18,057 billion of general account investment assets on a separate basis, of which loans and domestic debt securities accounted for 59.1%. HGI invests insurance premiums received from its policyholders in loans (including loans secured by real estate, policy loans, unsecured loans and project financings), domestic debt securities (including special bonds, financial bonds, corporate bonds and Government and Government-related bonds), beneficiary certificates, foreign currency denominated securities (including foreign-currency denominated bonds and structured securities), real property investments, domestic equity securities and other securities (including structured securities and hybrid capital securities).

Loans

HGI offers various loan products to qualified retail and institutional borrowers, which primarily consist of loans secured by real estate, policy loans to its existing policyholders and unsecured loans, as well as financings of social overhead capital projects and other project financings.

Domestic Debt Securities

HGI's domestic debt securities consist primarily of special bonds, financial bonds, corporate bonds and Government and Government-related bonds. As of 30 September 2021, HGI's domestic bond portfolio primarily comprised bonds with a credit rating of A and above as rated by Korean rating agencies.

Beneficiary Certificates

HGI's holdings of domestic beneficiary certificates, evidencing ownership in investment trusts managed by investment management companies in Korea, relate primarily to its equity investments in alternative assets including investment vehicles for social overhead capital projects.

Foreign Currency Denominated Securities

HGI's holdings of foreign currency denominated securities consist principally of foreign currency- denominated bonds issued by the Government and government agencies and foreign issuers including governments and corporations, as well as structured securities. HGI's foreign currency denominated securities are primarily denominated in U.S. dollars. HGI seeks to hedge its foreign currency exposure under its foreign currency denominated securities at the time of investment through currency swap contracts or other derivative instruments.

For further information on consolidated subsidiaries, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Major Factors Affecting Our Results of Operations — Scope of Consolidated Group*."

Hanwha Investment & Securities

In August 2021, Hanwha Asset Management acquired additional shares in Hanwha I&S to become its controlling shareholder. Hanwha I&S provides securities and financial services, including securities brokerage, development and sale of various financial products, asset management (such as wealth management and wholesale), trading, M&A advisory and investment banking services. The consolidation of Hanwha I&S is expected to bring further synergies to our asset management business. As of 30 September 2021, we wholly owned Hanwha Asset Management, which in turn owned a 46.1% interest in Hanwha I&S.

Carrot General Insurance

Carrot General Insurance, one of our consolidated subsidiaries, was the first "digital" insurance company in Korea when it was launched in as a property and casualty insurance company in October 2019 without any physical branches. CGI offers innovative and flexible insurance products targeting the young generation accustomed to transacting on digital platforms, such as per mile car insurance, smartphone screen protection insurance and financial phishing or hacking insurance.

Related Party Transactions

We engage from time to time in various transactions with related parties which include Hanwha Corporation, Hanwha Engineering & Construction Corp. and other member companies of the Hanwha Group. For details, see Note 42 of the notes to our consolidated interim financial statements as of 30 September 2021 and for the nine months ended 30 September 2021 and 2020.

RISK MANAGEMENT

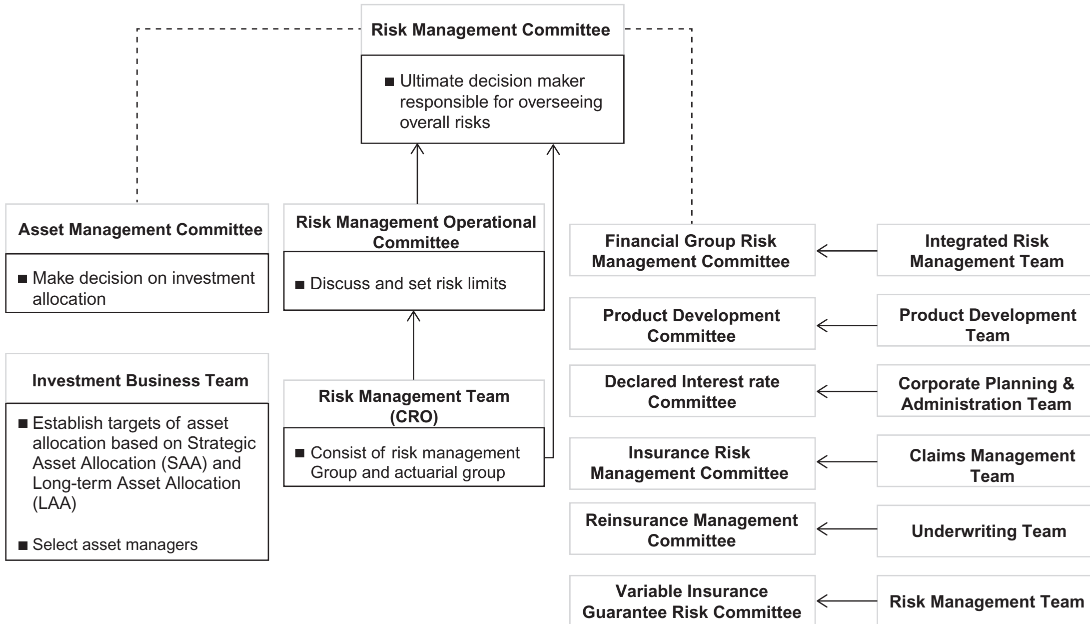
We have established a risk management process to monitor, manage and evaluate the principal risks we assume in conducting our activities, including interest risk, insurance risk, market risk, credit risk, liquidity risk and non- financial risk:

- *Interest risk* is the risk of loss due to a decline in the value of net assets as a result of fluctuations in market interest rates and a mismatch between asset and liability maturities.
- *Insurance risk* is the risk of loss due to the inadequacy of the insurance premium rates for payment of benefits for any adverse changes in mortality experience, morbidity experience, inflation effects on health care claims and other factors.
- *Market risk* is the risk of loss due to a decline in the value of our assets as a result of unexpected fluctuations in financial market indicators such as stock prices, interest rates and foreign exchange rates.
- *Credit risk* is the risk of loss due to a decline in investment returns or net loss on investment as a result of a failure or decline in credit rating of individual obligors or financial products.
- *Liquidity risk* is the risk of loss due to a shortage of cash reserves as a result of the difference between the duration of our assets and liabilities or sudden changes in cash flow.
- *Non-financial risk* consists of operational risk (including legal risk), reputational risk and strategy risk. Operational risk is the risk of loss arising from shortcomings or failures in internal processes, management decisions, people or systems, external events, change in reputation, legal and regulatory development and other factors that may affect our management.

We manage these risks through our risk assessment and management system, which is in compliance with the guidelines and policies of the FSS. In preparation for the implementation of K-ICS, the new solvency regime for the Korean insurance industry currently scheduled to be effective on 1 January 2023, the FSS requires insurers to adopt an Own Risk and Solvency Assessment ("**ORSA**") system, a self-developed manual for building enterprise risk management systems. See "*Regulation and Supervision — Risk-Based Supervision of Insurance Companies — Risk-Based Capital Adequacy Requirements.*" As such, we have developed our ORSA system, based on which we have conducted an assessment of our own risk and solvency status, focusing on four key criteria established by FSS guidelines, which include internal control structure, own risk assessment, own solvency assessment and risk management operational status, as well as taking into account our firm-specific characteristics.

Risk Management Structure

We work continuously to enhance our risk management organization through a multi-tiered risk management governance structure. Chaired by an outside director, our Risk Management Committee is responsible for the general oversight of our risk management process and reports important matters to our board of directors for high-level consideration. The Risk Management Committee is further assisted by the Risk Management Operational Committee. At the operational level, the Risk Management Team who reports to the Chief Risk Officer ("**CRO**"), works closely with other departments and business units to identify and monitor various risks as well as to implement risk management strategies, policies and procedures approved by the Risk Management Committee.



Risk Management Committee

Our Risk Management Committee is responsible for overseeing all risks and advising our board of directors with respect to risk management-related issues. The committee is responsible for establishing basic risk management policies, reviewing and approving proposals for risk limits, formulating, and revising as necessary, risk management guidelines and other matters that our board of directors determines are necessary to ensure effective executive-level management of various risks we face. Our Risk Management Committee is composed of three or more directors, and additional advisers may be engaged when needed. See "*Management — Committees of the Board of Directors — Risk Management Committee*."

Risk Management Operational Committee

Our Risk Management Operational Committee operates as the executive office of our Risk Management Committee and is responsible for reviewing matters submitted to the Risk Management Committee for approval, monitoring the execution of the decisions made by the Risk Management Committee, establishing and updating risk management guidelines and procedures, and any other matters delegated by the Risk Management Committee. The committee is composed of heads of the several divisions responsible for risk management and is led by Byeong-Ho Kim, who is the head of the Risk Management Team.

Risk Management Team

Our Risk Management Team is primarily responsible for identifying, measuring, evaluating, monitoring and reporting on each of our primary sources of risk (which include market, credit, liquidity, operational, legal media and systems risk) as well as our overall risk management; executing our risk assessment and management system and preparing to satisfy the new risk-based capital adequacy requirements; and monitoring and facilitating observance of our internal risk management regulations and guidelines by the relevant departments and business units. Our Risk Management Team also supervises sub-units dedicated to ALM strategies, insurance risk and non-financial risk as well as asset management risk.

Sub-Committees

In addition, there are seven sub-committees within relevant departments, each of which has a defined scope of responsibilities relating to risk management: (i) Asset Management Committee establishes and manages our quarterly asset management strategy and target portfolio, makes investment decisions as well as selects outside investment managers; (ii) Declared Interest Rate Committee determines our declared rate of interest; (iii) Product Development Committee manages new product development and improvement of existing products and coordinates inter-departmental communication to enhance our product competitiveness; (iv) Reinsurance Management Committee makes key decisions relating to ceded risks, reinsurance terms and reinsurer and evaluates our reinsurance arrangements; (v) Insurance Risk Management Committee coordinates inter-departmental discussion on mortality assumptions; (vi) Variable Insurance Guarantee Risk Management Committee deliberates on hedging strategies and management guidelines for variable insurance guarantee risk and reports the results; and (vii) Financial Group Risk Management Committee assesses and analyses risk posed by financial institutions. The Risk Management Committee delegates related responsibilities to each sub-committee. Issues discussed in the delegated committees are not repeatedly discussed in the Risk Management Committee.

Risk Management Procedures

By strengthening our risk management capabilities and executing optimal risk controls, we aim to ensure that our operations are carried out in a sound manner and to protect the interests of policyholders. By doing so, we will enhance our reputation as a reliable life insurance company.

Our Risk Management Team establishes the risk allowance limit for each of the risks below and reviews the risk allowance limits for interest, insurance, market and liquidity risks on a quarterly basis. We manage each of the risks below (other than for liquidity risk) using the value-at-risk ("**VaR**") method, assessing the VaR for each of the risks through a simulation exercise and other analysis tools. If the VaR relating to market, credit or insurance risk exceeds 90% of the applicable limit, then relevant business departments submit a recommended course of action to the Risk Management Operational Committee for review.

Interest risk. Interest risk arises primarily due to mismatches in the maturities or re-pricing periods of interest rate-sensitive assets and liabilities. We seek to manage interest rate risk through adjustments to our asset and liability portfolio mix and terms, for example by increasing the proportion of floating rate insurance products and decreasing the proportion of fixed rate insurance products, and by managing, to the extent possible, the average duration and maturity of our assets and liabilities. However, because the availability of long-term fixed income securities in the Korean financial markets has historically been limited, the average duration of our interest-earning assets is shorter than that of our interest-bearing liabilities. As such, recently in the past few years, we have shortened our asset-liability duration gap by increasing our holdings of government bonds with longer durations and interest rate derivatives.

We also employ ALM investment strategies to match the interest rate sensitivity of the assets to that of the underlying liabilities and reduce the adverse effects of interest rate volatility. For example, our Asset Management Strategy Team uses the ALM investment strategies in developing a strategic asset mix and an ALM investment strategy implementation plan. Our Risk Management Team reports such implementation plan to the Risk Management Committee and monitors and analyses the performance of our asset management portfolio against the ALM investment strategies. Our Risk Management Team sets the permissible level of asset duration every year and evaluates it on a basis.

Insurance risk. We establish and carry, as a liability, reserves based on estimates by actuaries of how much we will need to pay for future benefits and claims. Our earnings depend significantly upon the extent to which our actual claims results are consistent with the assumptions we use to establish appropriate premium levels, including assumptions regarding mortality rates, investment yields and administrative expenses related to policies, as well as certain macroeconomic factors such as inflation. If the actual mortality rate increases for a short-term period to above the mortality rate assumptions used by us in setting premiums, our payments of claims and benefits will also increase, and our earnings for such period may be lower than otherwise expected levels. To manage our exposure to insurance risk, we make assumptions that are based on our historical experience.

We evaluate and manage, for each product group, our expected liabilities based on changes in the assumptions used to establish the liabilities, as well as based on our actual benefits and claims results from time to time on an as needed basis and at our quarterly Insurance Risk Management Committee meetings. For example, our team for insurance risk management meets on an ad hoc basis as necessary to analyse and evaluate the mortality and morbidity rates and their effects on each of our product groups. Based on the expected pay-out of benefits, our Claims Management Team establishes the liabilities for future policy benefits and claims in consultation with relevant business departments. These data are used by our Product Development Team in developing premium levels as well as evaluating continued marketability of certain products, actual versus expected performance and the appropriateness of actual policy benefits.

In addition, we establish retention limits and take other steps as we deem necessary, in light of the status of our policy reserves, our level of capital and other factors, in an effort to appropriately manage our portfolio of underwritten insurance. We have adopted, and revise on an as-needed basis, internal regulations that establish direct underwriting standards, reinsurance standards, and standards for the selection of reinsurers, as well as the procedures required to change or abolish these standards.

Market risk. We measure and manage the market risk associated with our investments. To manage any market risk involving stock prices, interest rates or foreign exchange rates, we monitor our assets with market risk exposure on a day-to-day basis, using the RiskManager program of MSCI, a leading provider of risk management products and services. We set risk allowance limits in order to minimize impacts of any unexpected risk events. For currency risk to which our overseas investment may be exposed, we seek to fully manage any risk of loss through the use of hedging techniques including currency swaps.

In addition, we diversify our portfolio to avoid risks associated with concentrating our investments in a small number of product types by setting exposure limits for each type of assets subject to market risk exposure. This allows us to monitor our assets' performance on a daily basis and prevent undue loss by way of disposition, for example. In particular, we have special market risk management procedures for high-risk assets such as derivatives and alternative investments.

Credit risk. We seek to manage credit risk associated with deposits, loans, securities and real properties so as to minimize our risk of default of counterparties or financial products, non-payment and a deterioration in the financial position of individual obligors. We evaluate the level of credit risk to which our portfolio is subject, using the MSCI CreditManager program. In order to prevent unexpected loss, we set risk allowance limits based on statistical data relating to default and recovery rates and establish allowance for losses as appropriate. We have also established diversification standards for each type of products, industries and risks in order to reduce any concentration risks.

We manage credit risk by assessing the credit risk of and assigning a credit rating to each of our counter-parties and financial products and proceed on investment only if the counterparty or the financial product is given an investment-grade rating (BBB- or above) by Korean rating agencies or international rating agencies such as S&P, Moody's and Fitch, as the case may be. Where a counterparty or instrument has multiple credit ratings, we use the lowest rating to determine our potential risk exposure. Once an investment is made, we monitor the performance and progress of the investment on a regular basis. For any high-risk assets such as derivatives and alternative investments, our Risk Management Team and other relevant business departments form a task force in order to thoroughly analyse any related risks. Any proposal involving high-risk assets must also go through a multi- level review process involving our Risk Management Operational Committee and Investment Committee. In addition, we have special credit risk management procedures for high-risk assets whereby we set monitoring standards as well as maximum loss limits.

Liquidity risk. We have adopted internal regulations clarifying the methods for managing, reporting and settling cash payments in light of our immediate liquidity needs. Our Asset Management Strategy Team and Finance Team together manage and monitor liquidity on a daily basis, ensuring that we hold sufficient level of assets that can be liquidated to meet actual or potential demands for funds from our policyholders and others, while our Asset Management Strategy Team develops an asset management plan considering its potential effects on our liquidity positions. We also manage liquidity risk by setting lower limits on the amount of liquid assets held by us at any given time.

Non-financial risk. Non-financial risk consists of operational risk (including legal risk), reputation risk and strategy risk.

Operational risk is the risk of loss arising from shortcomings or failures in internal processes, management decisions, people or systems, external events, change in reputation, legal and regulatory development and other factors that may affect our management. Operational risk includes legal risk, which is the risk of loss due to violations of applicable laws, rules and regulations occurring during the course of our business operations, as well as the risk of loss due to litigation. Reputation risk is the risk of loss resulting from harm to our reputation in the market and among customers as a result of unethical behaviour, unfair business practices, improper disclosure or other factors. Strategy risk is the risk of loss resulting from failure to establish an effective strategy or business plan in response to changing market conditions or to make decisions properly.

We seek to manage these non-financial risks by identifying any weaknesses in our internal control system and improving those conditions, thereby promoting our corporate stability and sound management.

We also have a multi-level management system that helps us identify and evaluate any non-financial risks, monitor those risks and reduce our exposure to those risks. To identify and assess the risk level, we conduct a Risk and Control Self Assessment ("**RCSA**") and collect and manage data relating to internal failures.

We have constructed our own internal models to measure each type of risk, following the below construction methodologies for each type of risk:

Risk to be Measured	Construction Methodology	Measurement Methods
Market risk	Monte-Carlo Simulation	Market VaR, Stress Test, Back Test, etc.
Credit risk	Monte-Carlo Simulation	Credit VaR, Stress Test, etc.
Insurance risk	Stochastic Scenario	Insurance VaR
Interest rate risk	Interest rate shock Scenario (Arbitrage-free DNS Model)	Interest Rate VaR
ALM	Internal management criteria (Risk/Return Analysis using Stochastic Scenario)	MVS (Market Value of Surplus), PVDE (Present Value of Distributable Earning)
Non-financial risk	BIS criteria	KRI, Op-VaR

MANAGEMENT

Board of Directors

Our articles of incorporation provide for a board of directors which has the ultimate authority and responsibility for the administration of our business. Of the five or more directors required as board members under our articles of incorporation, at least three and more than half of the members must be outside directors pursuant to the Korean Commercial Code, which applies to listed companies with assets exceeding Won 2 trillion. Directors are elected at a general meeting of shareholders by a majority vote of those present or represented so long as the affirmative votes also represent not less than 25% of the issued and outstanding shares with voting rights; provided, however, that in the election of an Audit Committee member who is not an outside director, if the aggregate number of shares with voting rights held by the largest shareholder, a person specially related to the largest shareholder, anyone holding our shares for the account of the largest shareholder or its specially-related person, or anyone who delegated its voting rights to the largest shareholder or its specially-related person exceeds 3% of the total number of shares with voting rights, then such shareholder may not exercise voting rights with respect to shares held in excess of such 3% threshold. The term of office for our directors is two years, which may be renewed for additional two-year terms for directors and one-year terms for inside directors.

The representative director is a director elected by a majority of the board of directors and is empowered to make decisions regarding our day-to-day business as our chief executive officer. The representative director may be removed at any time by a majority of the board of directors. Seung Joo Yeo, our president and chief executive officer, currently serves as our representative director.

The outside directors are non-standing directors elected from among those persons who do not have a special relationship with us that would interfere with the exercise of their independent judgment. Candidates for outside directors must satisfy the eligibility requirements under the Corporate Governance Act and other relevant laws and regulations. Our outside directors are elected at the general meeting of shareholders from among those candidates recommended by our Executive Candidate Recommendation Committee.

Directors

The table below sets forth our directors, and their ages and positions, as of the date of this offering circular. The business address of each of our directors, as well as our executive officers, is our registered office at 63 Hanwha Life Building, 50, 63-ro, Yeongdeungpo-gu, Seoul 07345, Korea.

Name	Age(1)	Position	End of Current Term	Other Current Positions
Yeo, Seung Joo	61	President and Chief Executive Officer	At general shareholders meeting in 2023	—
Lee, Kyung Keun	56	Vice President	At general shareholders meeting in 2023	—
Kim, Joong Won	54	Executive Director	At general shareholders meeting in 2023	—
Hwang, Young-Key	69	Outside Director	At general shareholders meeting in 2022	Senior Adviser, Shin & Kim LLC; Chairman, Korea-America Association
Lee, Seung Woo	69	Outside Director	At general shareholders meeting in 2022	—
Yi, In-sill	65	Outside Director	At general shareholders meeting in 2023	Adjunct Professor, Sogang University School of Economics
Joe, Hyeon Chul	64	Outside Director	At general shareholders meeting in 2023	—

(1) As of 31 December 2021.

Seung Joo Yeo has served as our President and Chief Executive Officer since 2019. Previously, Mr. Yeo served as Representative Director of Hanwha Investment & Securities Co., Ltd. Mr. Yeo received his bachelor's degree in mathematics from Sogang University.

Kyung Keun Lee has served as a Vice President since 2021 and currently oversees our insurance business. Mr. Lee received a master's degree in economics from Yonsei University.

Joong Won Kim has served as an Executive Director since 2018 and currently head of compliance. Mr. Kim received a bachelor's degree in law from Seoul National University and an LL.M. from the University of Pennsylvania Law School.

Young-Key Hwang has served as our outside director since 2019. Mr. Hwang received his MBA from the London School of Economics and Political Science. Mr. Hwang is concurrently serving as a senior legal adviser at Shin & Kim LLC.

Seung Woo Lee has served as our outside director since 2020. Mr. Lee has previously served as the Chief Executive Officer of Korea Deposit Insurance Corporation. Mr. Lee received his bachelor's degree in administration from Seoul National University.

In-sill Yi has served as our outside director since 2021. Ms. Yi has previously served as the Commissioner of Statistics Korea. Ms. Yi received a Ph.D. in economics from the University of Minnesota.

Hyeon Chul Joe has served as our outside director since 2021. Mr. Joe has previously served as a standing auditor at Kolon Materials, Inc. Mr. Joe received his master's degree in economics from Yonsei University.

Executive Officers

Our executive officers consist of our chief executive officer, vice presidents, executive directors, and managing directors. The executive officers are appointed by our representative director by authority given to him by our board of directors. Our current executive officers, other than our directors, are as follows:

Name	Age(1)	Title	Executive Officer Since
Kim, Dong Won	36	Vice President	April 2016
Hwang, Jin Woo	61	Vice President	December 2002
Na, Chae Beom	56	Vice President	March 2015
Ha, Sang Woo	49	Vice President	December 2021
Uhm, Sung Min	45	Executive Director	April 2014
Park, Jin Kuk	53	Executive Director	May 2013
Jung, Hae Seung	51	Executive Director	December 2016
Shin, Min Sik	53	Executive Director	July 2021
Min Jeong Ki	56	Executive Director	November 2021
Lee, Chang Hee	49	Executive Director	January 2020
Lee, Byoung Su	46	Executive Director	January 2015
Choi, Young Bok	51	Executive Director	May 2020
Shin, Chung Ho	53	Executive Director	January 2017
Kim, Dong Wook	54	Executive Director	January 2020
Oh, Ji Young	46	Executive Director	January 2018
Jang, Byung Ho	54	Executive Director	January 2020
Im, Dong Jun	47	Executive Director	January 2019
Lee, Jun No	54	Managing Director	May 2013
Seong, Youn Ho	56	Managing Director	March 2015
Lee, Man Jae	56	Managing Director	April 2015
Lee, Kwan Young	53	Managing Director	January 2018
Han, Young Man	54	Managing Director	January 2018
Kim, Young Sik	52	Managing Director	January 2018
Kim, Seon Nyoung	52	Managing Director	August 2021
Cho, Hyeon Ho	52	Managing Director	January 2019
Moon, Hyo Il	49	Managing Director	January 2019
Lim, Suk Hyun	52	Managing Director	January 2019
Oh, Dong Hoon	44	Managing Director	January 2019
An, Joong Cheul	54	Managing Director	January 2019
Yeo, Chi Kyung	44	Managing Director	June 2020
Oh, Chang Sik	57	Managing Director	August 2019
Jin, Ki Cheon	56	Managing Director	December 2019
Lee, Seung Chan	55	Managing Director	January 2020
Kim, Byeong Ho	53	Managing Director	January 2020
Kim, Jeong Su	53	Managing Director	December 2020
Hwang, Won Ha	52	Managing Director	January 2020
Yoo, Chang Min	50	Managing Director	August 2021
Kim, Sang Il	50	Managing Director	January 2021
Choi, Byung Sun	46	Managing Director	February 2020
Lim, Sam Yeol	45	Managing Director	September 2020

Name	Age[1]	Title	Executive Officer Since
Kim, Guk Jin	54	Managing Director	January 2021
Lee, Won Keun	52	Managing Director	January 2021
Lee, Kyoung Sub	51	Managing Director	January 2021
Choi, Jae Duk	51	Managing Director	January 2021
Jo, Sang Hyun	47	Managing Director	May 2021
Um, Helen Jisun	45	Managing Director	November 2021
Lee, Jin Soo	52	Managing Director	November 2021
Yun, Jong Gug	49	Managing Director	November 2021
Park, Seong Gyu	46	Managing Director	November 2021
Kim, Su Young	50	Managing Director	November 2021
Lee, Han Saem	41	Managing Director	December 2021

(1) As of 31 December 2021.

Board Practices

In accordance with the Corporate Governance Act and our articles of incorporation, we have established the following committees under our board of directors:

- Executive Candidate Recommendation Committee;
- Audit Committee;
- Risk Management Committee;
- Intercompany Transactions Committee;
- Remuneration Committee; and
- Sustainability Management Committee.

Executive Candidate Recommendation Committee

Under the Korean Commercial Code and the Corporate Governance Act, we are required to have an Executive Candidate Recommendation Committee consisting of at least three directors, a majority of whom must be outside directors. The Executive Candidate Recommendation Committee is responsible for reviewing and recommending candidates for outside directors, Audit Committee members and the representative director for election at the general meeting of shareholders.

The Executive Candidate Recommendation Committee currently consists of three directors: Young-Key Hwang, Hyeon Chul Joe and Joong Won Kim. The Executive Candidate Recommendation Committee holds meetings when candidates for outside directors, Audit Committee members or the Chief Executive Officer need to be recommended or upon the request of a member of the committee.

Audit Committee

Under the Korean Commercial Code, the Corporate Governance Act and our articles of incorporation, we are required to have an Audit Committee consisting of three or more directors, at least two-thirds of whom must be independent directors. Members of the Audit Committee are elected by our shareholders at the general meeting of shareholders.

The committee reviews all audit and compliance-related matters and makes recommendations to our board of directors. Our Audit Committee's primary responsibilities include:

- engaging external auditors and evaluating their performance;
- reviewing annual financial statements;
- establishing, implementing and reviewing performance of internal audit plans;
- reviewing audit results and reports, including management comments and recommendations;
- reviewing, and making recommendations to enhance, our system of controls and policies;
- reviewing remedial measures taken in respect of improprieties identified by audit activities; and
- examining improprieties or suspected improprieties.

In addition, in connection with the annual general meeting of shareholders, the committee examines the agenda for, and financial statements and other reports to be submitted by the board of directors at, each annual general meeting of shareholders.

Currently, our Audit Committee consists of three directors, Young-Key Hwang, Hyeon Chul Joe, and In-sill Yi. The committee holds quarterly meetings, as well as additional meetings as deemed necessary by the committee chairman. The Audit Team, which consists of 27 employees, aids the Audit Committee in their duties, and together with the Audit Committee, maintains an independent relationship with the rest of the Company, including the chief executive officer.

Risk Management Committee

The Risk Management Committee is responsible for overseeing all risks relating to our operations and advising our board of directors with respect to risk management-related issues. The principal activities of the Risk Management Committee include:

- establishing and reviewing our overall risk management policies and procedures and long-term plans relating to our risk management system;
- reviewing risks related to key management strategies, including those relating to our investments, reinsurance policies and new product development;
- determining specific risk tolerance levels and capital allocations for various business activities;
- monitoring, and approving strategies for maintaining, our risk-based capital adequacy and solvency levels;
- establishing criteria for asset quality evaluation and loss provisioning policies; and
- overseeing the operation of our risk management systems and coordinating with the Risk Management Council and the Asset Management Council to facilitate an integrated risk management workflow.

See “*Risk Management*.” The Risk Management Committee currently consists of three directors: Young-Key Hwang, Hyeon Chul Joe, and Kyung Keun Lee. Meetings of the Risk Management Committee are held every quarter, and more often on an *ad hoc* basis if necessary.

Intercompany Transactions Committee

The Intercompany Transactions Committee reviews all inter-company transactions with our affiliates. If deemed necessary for review of the inter-company transactions at issue, the Intercompany Transactions Committee has authority to request relevant information to the management team, including content of the business, mode of contract, criteria for selecting the transaction counterparty and detailed terms of the transaction. The Intercompany Transactions Committee may recommend to the management to make necessary changes to inter-company transactions that the Intercompany Transactions Committee deems may potentially be against laws, regulations or internal policies.

The Intercompany Transactions Committee currently consists of three directors: Seung Woo Lee, In-sill Yi, and Joong Won Kim. Meetings of the Management Committee are held every quarter, and more often on an *ad hoc* basis if necessary.

Remuneration Committee

The Remuneration Committee is responsible for reviewing and determining the operation of our compensation program. Our Remuneration Committee’s primary responsibilities include:

- determining and approving the level and structure of compensation of executive officers;
- preparing and publicly disclosing an annual compensation report;
- establishing and operating remuneration guidelines and evaluating their appropriateness;
- deliberating on matters relating to remuneration policies; and
- other matters relating to remuneration including performance evaluation.

The Remuneration Committee currently consists of three directors: Seung Woo Lee, In-sill Yi, and Kyung Keun Lee. Meetings of the Remuneration Committee are held at least annually, and more often on an *ad hoc* basis if necessary.

Sustainability Management Committee

The Sustainability Management Committee was established in March 2021 to promote ESG management in earnest and internalize company-wide ESG initiatives. The committee shall serve as the board level decision-making body that establishes and approves ESG strategies, policies and initiatives for sustainable management, as well as implementation of such strategies, policies and initiatives. The Sustainability Management Committee currently consists of four directors: Young-Key Hwang, Seung Woo Lee, In-sill Lee, and Kyung Keun Lee. Meetings of the Sustainability Management Committee are held on an *ad hoc* basis.

Compensation of Directors

The aggregate compensation (including short-term benefits and retirement and severance benefits) granted to our directors, excluding outside directors and members of Audit Committee, was Won 1,365 million, Won 4,147 million (including severance pay) and Won 2,477 million (including severance pay) in 2018, 2019 and 2020, respectively, and Won 1,086 million and Won 1,232 million for the nine months ended 30 September 2020 and 2021, respectively. As of 30 September 2021, certain of our directors have been granted restricted stock options while there were no loans granted by us to any of our directors.

Interests of Directors and Executive Officers

Certain of our directors have direct interests in our shares. See "*Principal Shareholders*." Other than aforementioned, there were no outstanding transactions other than in the ordinary course of business undertaken by us in which our directors or executive officers were interested parties as of 30 September 2021.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information relating to our shareholder composition as of 30 September 2021.

Shareholder	Number of Common Shares Owned	Percentage of Total Common Shares Outstanding
Hanwha Engineering & Construction	217,919,118	25.09%
Hanwha Corporation	157,600,000	18.15
Korea Deposit Insurance Corporation	86,857,001	10.00
National Pension Service(1)	44,480,894	5.12
Hanwha Galleria Timeworld	15,204,166	1.75
Dong Won Kim	300,000	0.03
Seung Joo Yeo	158,650	0.02
Kyung Keun Lee	50,589	0.00
Joong Won Kim	40,000	0.00

(1) As of 5 April 2021 based on public filings.

Other than as set forth in the table above or under "*Management — Interests of Directors and Executive Officers*", none of our current directors or executive officers has direct or beneficial interests in our common shares. In addition, other than as set forth in the table above, no other person or entity known by us to be acting in concert, directly or indirectly, jointly or severally, owned more than 5% or more of our outstanding common shares or exercised control or could exercise control over us as of the date hereof.

HANWHA GROUP

Hanwha Corporation was founded in 1952 as Korea Explosives, and the Hanwha Group is the seventh largest business group in Korea in terms of combined assets as of 29 April 2021, according to the Korea Fair Trade Commission. As of 30 September 2021, the Hanwha Group consisted of 85 domestic companies, seven of which were listed on the KRX KOSPI Market or the KRX KOSDAQ Market, and 471 overseas companies. Hanwha Group had combined total sales of Won 50.9 trillion in 2020.

The member companies of the Hanwha Group can be categorized into the following six major business areas: aerospace and mechatronics, chemicals and materials, solar energy, financial services, construction, and leisure and lifestyle. The following table shows the major member companies of Hanwha Group as of 30 September 2021.

Aerospace & Mechatronics	Chemicals & Materials	Solar Energy	Financial Services	Construction	Leisure & Lifestyle
Hanwha Corporation	Hanwha Solutions Corporation	Hanwha Solutions Corporation	Hanwha Life Insurance	Hanwha Engineering & Construction Corporation	Hanwha Hotels & Resorts
Hanwha Aerospace	Hanwha Total Petrochemical		Hanwha General Insurance		Hanwha Galleria Timeworld
Hanwha Techwin	Hanwha General Chemical		Hanwha Asset Management		
Hanwha Systems	Yeochun NCC		Hanwha Investment & Securities		
Hanwha Defense			Hanwha Savings Bank		
Hanwha Power Systems					
Hanwha Precision Machinery					

TERMS AND CONDITIONS

*The following, other than the language in italics, is the text of the Terms and Conditions of the Securities (the "***Conditions***") which (subject to modification) will be endorsed on each Security in definitive form:*

The US$750,000,000 3.379% Tier II Subordinated Sustainability Securities due 2032 (the "**Securities**") of Hanwha Life Insurance Co., Ltd. (the "**Issuer**") are issued subject to and with the benefit of an Agency Agreement to be dated 4 February 2022 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made among the Issuer, Citicorp International Limited as fiscal agent (the "**Fiscal Agent**") and registrar (the "**Registrar**") and Citibank N.A., London Branch as transfer agent (the "**Transfer Agent**"), calculation agent (the "**Calculation Agent**") and paying agent (the "**Paying Agent**" and, together with the fiscal agent, the "**Paying Agents**") (the Fiscal Agent, the Registrar, the Transfer Agent, the Calculation Agent and the Paying Agent, the "**Agents**").

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the holders of the Securities (the "**Securityholders**") at the specified office of each of the Paying Agents. The Securityholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Paying Agents, the Calculation Agent and the Agents shall include any successor appointed under the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 Form and principal amount

The Securities are issued in registered form in amounts of US$200,000 and multiples of US$1,000 in excess thereof (referred to as a "**principal amount**" of a Security). A certificate (each a "**Certificate**") will be issued to each Securityholder in respect of its registered holding of Securities.

Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Securityholders which the Issuer will procure to be kept by the Registrar.

The Securities are not issuable in bearer form.

1.2 Title

Title to the Securities passes only by registration in the register of Securityholders. The holder of any Security will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions "**Securityholder**" and (in relation to a Security) "**holder**" means the person in whose name a Security is registered in the register of Securityholders.

2. TRANSFERS OF SECURITIES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Security may be transferred by depositing the Certificate issued in respect of that Security, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Agents.

For a description of certain restrictions on transfers of interests in the Securities, see "Transfer Restrictions."

2.2 **Delivery of new Certificates**

Each new Certificate to be issued upon transfer of Securities will, within five Business Days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Security to the address specified in the form of transfer. For the purposes of this Condition, "**Business Day**" shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances, owners of interests in the Securities will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Securities are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement.

Where some but not all of the Securities in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Securities not so transferred will be mailed by uninsured mail at the risk of the holder of the Securities not so transferred to the address of such holder appearing on the register of Securityholders or as specified in the form of transfer.

2.3 **Formalities free of charge**

Registration of transfer of Securities will be effected without charge by or on behalf of the Issuer or any Agent but upon payment (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 **Closed periods**

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

2.5 **Regulations**

All transfers of Securities and entries on the register of Securityholders will be made subject to the detailed regulations concerning transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Securityholder who requests one.

3. **STATUS**

3.1 **Status**

The Securities constitute direct, unsecured and subordinated obligations of the Issuer and will at all times rank (i) junior to the Senior Obligations of the Issuer, (ii) *pari passu* and without any preference among themselves, *pari passu* with any Parity Obligations of the Issuer and (iii) senior to, in priority to the claims of holders of, Junior Obligations of the Issuer. The rights and claims of the Securityholders are subordinated as described in Condition 3.2.

3.2 **Subordination**

(a) ***Subordination***

i) If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under the Securities, a Bankruptcy Event of the Issuer occurs and so long as it continues, the rights and claims of the Securityholders to payment of principal and any interest under the Securities shall not be payable unless and until the total amount of any and all Senior Obligations of the Issuer which are 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 the Securities, a Rehabilitation Event of the Issuer occurs and so long as it continues, the rights and claims of the Securityholders to payment of principal and any interest under the Securities shall not be payable unless and until the total amount of any and all Senior Obligations of the Issuer which are listed on the rehabilitation plan of the Issuer at the time when the court‘s approval of such plan becomes final and conclusive is paid in full or provided to be 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 the Securities, a Liquidation Event of the Issuer occurs and so long as it continues, the rights and claims of the Securityholders to payment of principal and any interest under the Securities shall not be payable unless and until the total amount of any and all Senior Obligations of the Issuer which are reported during the claims reporting period or are required by the laws or regulations of Korea to be paid during the liquidation process is paid in full or provided to be paid in full in such liquidation process.

iv) If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under the Securities, a Foreign Event of the Issuer occurs and so long as it continues, the rights and claims of the Securityholders to payment of principal and any interest under the Securities shall not be payable unless and until conditions equivalent to those enumerated in the above three paragraphs have 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 Securities shall become payable in accordance with the terms herein provided (including but not limited to Condition 3.1) and not subject to such conditions.

(b) ***Set-off***

A Securityholder by its acceptance of a Security or its interest therein thereby agrees that (i) if any payment in respect of that Security is made to the Securityholder and the amount of the payment exceeds the amount, if any, that should have been paid to the Securityholder upon the proper application of these subordination provisions, the payment of the excess amount will be deemed null and void and the Securityholder (without any agent having any obligation or liability with respect thereto, except that the Fiscal Agent shall return to the Issuer (or, in the event of a Subordination Event, the liquidator or, as appropriate, administrator of the Issuer) in accordance with the instructions provided by the Issuer (or, in the event of a Subordination

Event, the liquidator or, as appropriate, administrator of the Issuer), any excess amount which remains held by it at the time of the notice next referred to) will be obliged to return the amount of the excess payment, in accordance with the instructions provided by the Issuer (or, in the event of a Subordination Event, the liquidator or, as appropriate, administrator of the Issuer), within ten days of receiving notice from the Issuer (or, in the event of a Subordination Event, the liquidator or, as appropriate, administrator of the Issuer) of the excess payment, and (ii) the Securityholder will not exercise any right to set off any liabilities of the Issuer under the Security which become so payable (including overdue amounts) against any liabilities of the Securityholder owed to the Issuer unless, until and only in such amount as the liabilities of the Issuer under the Security become payable pursuant to the proper application of these subordination provisions. The Issuer will not exercise any right to set off any liabilities of the Securityholder owed to the Issuer against any liabilities of the Issuer under the Security.

4. INTEREST

4.1 Interest

Each Security shall entitle the Securityholder thereof to receive interest on the principal amount thereof from and including 4 February 2022 (the "**Issue Date**") at the applicable Interest Rate, payable semi-annually in arrear on 4 February and 4 August in each year (each, an "**Interest Payment Date**") in equal instalments.

4.2 Interest Rate

The rate of interest (the "**Interest Rate**") applicable to the Securities shall be:

(a) in respect of the period from, and including, the Issue Date to, but excluding, 4 February 2027 (the "**Interest Reset Date**"), 3.379% per annum, which is the sum of (i) the U.S. 5 year treasury rate of 1.529% agreed by the Issuer and the underwriters of the Securities on 24 January 2022 plus (ii) the Initial Spread; and

(b) in respect of the period from, and including, the Interest Reset Date to, but excluding, 4 February 2032 (the "**Maturity Date**"), the Reset Interest Rate.

If interest is required to be paid in respect of a Security on any date other than an Interest Payment Date, it shall be calculated by applying the relevant Interest Rate to the principal amount of such Security, multiplying the product by the Day Count Fraction (as defined below) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

4.3 Calculation of Reset Interest Rate

The Calculation Agent will, on the Reset Determination Date, calculate the Reset Interest Rate payable in respect of each Security. The Calculation Agent will cause the Reset Interest Rate determined by it to be notified to the Paying Agents and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given by the Fiscal Agent to the Securityholders.

4.4 Interest accrual

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any interest from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, the right to interest will continue to accrue at the applicable Interest Rate (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of the Securities are received by or on behalf of the relevant Securityholder and (ii) the day which is seven days after the Fiscal Agent has notified the Securityholders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Securityholders under these Conditions).

4.5 **Notifications, etc. to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Securityholders.

5. PAYMENTS

5.1 **Payments in respect of Securities**

(a) Payment of principal and interest will be made by transfer to the registered account of the Securityholder. Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant certificate at the specified office of any of the Agents. Interest on Securities due on an Interest Payment Date will be paid to the holder shown on the register of Securityholders at the close of business on the date (the "**record date**") being the fifteenth day before the due date for the payment of such interest.

(b) For the purposes of this Condition, a Securityholder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the register of Securityholders at the close of business, in the case of principal, on the second Business Day before the due date for payment and, in the case of interest, on the relevant record date.

5.2 **Payments subject to applicable laws**

All payments in respect of principal and interest on Securities are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 7 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, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Securityholders in respect of such payments.

5.3 **Payment on Payment Business Days**

(a) Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Payment Business Day for value the first following day which is a Payment Business Day) will be initiated on due date for payment, or in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Payment Business Day on which the relevant certificate is surrendered at the specified office of an Agent (other than the Calculation Agent).

(b) Securityholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day or if the Securityholder is late in surrendering its certificate (if required to do so).

(c) In this Condition, "**Payment Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in Seoul, London, New York City and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

5.4 **Partial payments**

If the amount of principal or interest which is due on the Securities is not paid in full, the Registrar will annotate the register of Securityholders with a record of the amount of principal or interest in fact paid.

5.5 **Agents**

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any agent and to appoint additional or other agents provided that at all times:

(a) there will be a Fiscal Agent;

(b) there will be a Registrar; and

(c) there will be a Calculation Agent.

Notice of any termination or appointment and of any changes in specified offices shall be given to the Securityholders promptly by the Issuer in accordance with Condition 11.

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer and do not assume any obligations towards, or relationship of agency or trust for or with, any of the Securityholders.

6. **REDEMPTION AND PURCHASE**

6.1 **Redemption at maturity**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Securities on the Maturity Date at their outstanding principal amount, together with any interest accrued to (but excluding) the Maturity Date. The Securities may not be redeemed at the option of the Issuer other than in accordance with these Conditions.

6.2 **Optional redemption**

The Issuer may, on the Interest Reset Date and on each Interest Payment Date thereafter, upon giving notice to the Securityholders in accordance with Condition 11 and to the Fiscal Agent not less than 30 days but no more than 60 days prior to the proposed redemption date, redeem the Securities, in whole but not in part, at a redemption price equal to the principal amount of the Securities plus any accrued but unpaid interests to (but excluding) the date of redemption (the "**Optional Redemption Price**"); *provided* that, such redemption shall be subject to (i) the prior approval of the Financial Supervisory Service (the "**FSS**") or other relevant regulatory authorities of Korea (if then required) and (ii) satisfaction of any other conditions as required under the Regulation on Supervision of Insurance Business (as amended or modified from time to time, the "**RSIB**"), the Detailed Enforcement Regulations on Insurance Business Supervision (as amended or modified from time to time) or other successive regulations in effect at the time of such redemption ((i) and (ii) collectively, the "**Optional Redemption and Purchase Conditions**"). The Optional Redemption and Purchase Conditions applicable as of the Issue Date are as follows:

(a) immediately after such redemption (which shall have been decided by the Issuer at its sole discretion and approved by the FSS), the Issuer's Solvency Margin Ratio shall be equal to or greater than 150%; or

(b) (A) the Issuer's Solvency Margin Ratio shall be equal to or greater than 100%; (B) prior to such redemption, the Issuer issues or incurs qualifying financing via instruments with stronger capital characteristics (such as shares or instruments with a maturity longer than the remaining maturity of the Securities and with more favourable financing terms, including but not limited to a lower interest rate) in an amount not less than the aggregate principal amount of the Securities to be redeemed; (C) the Interest Rate of the Securities shall have been recognized by the FSS as significantly unfavourable to the Issuer due to changes in market conditions since the Issue Date; and (D) the Issuer shall have obtained prior approval from the FSS for such redemption.

The Issuer will notify the Securityholders of the Optional Redemption Price as soon as reasonably practicable after it has been determined (and in any event not later than the second Business Day before the date scheduled for redemption).

6.3 **Gross-Up Event redemption**

Subject to the satisfaction of the Optional Redemption and Purchase Conditions, if a Gross-Up Event has occurred and is continuing, the Issuer may, at any time upon giving not less than 30 days' notice to the Securityholders in accordance with Condition 11 and to the Fiscal Agent, redeem the Securities, in whole but not in part, at the Optional Redemption Price. The Issuer will notify the Securityholders of the Optional Redemption Price as soon as reasonably practicable after it has been determined (and in any event not later than the five Business Day before the date scheduled for redemption).

Prior to giving a notice of redemption pursuant to this Condition 6.3, the Issuer will deliver to the Fiscal Agent (a) a certificate signed by an Authorized Representative of the Issuer stating that the Issuer is entitled to effect such redemption and (b) an opinion of independent tax counsel to the Issuer experienced in such matters to the effect that a Gross-Up Event with respect to Securities has occurred. The delivery of the opinion referred to in (b) will constitute conclusive evidence of the occurrence of a Gross-Up Event.

No notice of redemption with respect to a Gross-Up Event shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay Additional Amounts were a payment in respect of the Securities then payable.

6.4 **Regulatory Event redemption**

Subject to the satisfaction of the Optional Redemption and Purchase Conditions and upon the occurrence of a Regulatory Event, the Issuer may, at any time upon giving not less than

30 days' notice to the Securityholders in accordance with Condition 11 and to the Fiscal Agent, redeem the Securities, in whole but not in part, at the Optional Redemption Price. The Issuer will notify the Securityholders of the Optional Redemption Price as soon as reasonably practicable after it has been determined (and in any event not later than the five Business Day before the date scheduled for redemption).

Prior to giving a notice of redemption pursuant to this Condition 6.4, the Issuer will deliver to the Fiscal Agent (a) a certificate signed by an Authorized Representative of the Issuer stating that the Issuer is entitled to effect such redemption and (b) an opinion of independent legal counsel to the Issuer experienced in such matters to the effect that a Regulatory Event with respect to the Securities has occurred. The delivery of the opinion referred to in (b) will constitute conclusive evidence of the occurrence of a Regulatory Event.

No notice of redemption with respect to a Regulatory Event shall be given earlier than 90 days prior to the earliest date on which the relevant change or amendment to law or regulation or interpretation of the regulatory capital requirements is due to take effect.

6.5 **Tax Deductibility Event redemption**

Subject to the satisfaction of the Optional Redemption and Purchase Conditions and upon the occurrence of a Tax Deductibility Event, the Issuer may, at any time upon giving not less than 30 days' notice to the Securityholders in accordance with Condition 11 and to the Fiscal Agent, redeem the Securities, in whole but not in part, at the Optional Redemption Price. The Issuer will notify the Securityholders of the Optional Redemption Price as soon as reasonably practicable after it has been determined (and in any event not later than the five Business Day before the date scheduled for redemption).

Prior to giving a notice of redemption pursuant to this Condition 6.5, the Issuer will deliver to the Fiscal Agent (a) a certificate signed by an Authorized Representative of the Issuer stating that the Issuer is entitled to effect such redemption and (b) an opinion of independent tax counsel to the Issuer experienced in such matters to the effect that a Tax Deductibility Event with respect to the Securities has occurred. The delivery of the opinion referred to in (b) will constitute conclusive evidence of the occurrence of a Tax Deductibility Event.

No notice of redemption with respect to a Tax Deductibility Event shall be given earlier than 90 days prior to the earliest date on which the loss of deductibility on interest payable on the Securities is due to take effect.

6.6 **No other redemption**

The Issuer shall not be entitled to redeem the Securities and shall have no obligation to make any payment of principal in respect of the Securities otherwise than as provided in Conditions 6.1 to 6.5, both inclusive.

6.7 **Purchase and cancelation of Securities**

Subject to satisfaction of the Optional Redemption and Purchase Conditions, the Issuer may after the fifth anniversary of the Issue Date purchase outstanding Securities by tender, in the open market or by private agreement. Any Securities so purchased by the Issuer will be immediately cancelled in accordance with the Agency Agreement and applicable law. The Issuer may make any payment in respect of such purchase as is authorized by applicable law.

6.8 **Notice final**

Upon the expiry of any notice of redemption as is referred to in Condition 6.1, 6.2, 6.3, 6.4 and 6.5, the Issuer shall be bound to redeem the Securities to which the notice of redemption refers in accordance with the terms of such Condition.

Once a notice of redemption has been given under any of the provisions described in Condition 6.1, 6.2, 6.3, 6.4 or 6.5, no similar notice of redemption may be given under any other options. If at any time the Securities may be redeemed under more than one such option, the Issuer may elect at its sole discretion under which option a notice of redemption is to be given.

The Fiscal Agent shall not be responsible for any failure by the Issuer to obtain the prior written approval of the Governor of the FSS (if required) or to satisfy any Optional Redemption and Purchase Conditions, or be concerned with the contents of any such approval or any notice of redemption.

7. **TAXATION**

All payments (if any) of principal of and interest on, the Securities by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (the "**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by the Securityholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Securities in the absence of the withholding or deduction, except that no Additional Amounts shall be payable in respect of:

(a) any Taxes that would not have been so imposed or levied but for the existence of any present or former connection between the holder or the beneficial owner of the Security and the Relevant Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Jurisdiction) otherwise than merely by holding such Securities, receiving principal or interest in respect thereof or enforcing payments thereon;

(b) any Taxes that would not have been so imposed or levied if the holder or beneficial owner made a declaration of non-residence or any other claim, or filed or satisfied any certification, information or reporting requirement for exemption from, or reduction in the rate of, withholding to which it is entitled, but only to the extent such holder or beneficial owner is legally entitled to provide such certification or documentation;

(c) any Taxes imposed or withheld under Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreements (including any agreement described in Section 1471(b) of the Code) entered into pursuant thereto and any law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing;

(d) any Security presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to

Additional Amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day; or

(e) any combination of items (a) and (d) above.

Any reference in these Conditions to any amounts of principal and interest in respect of the Securities will be deemed also to refer to any Additional Amounts which may be payable under this Condition 7. For the purposes of this Condition 7, "holder" shall mean to include any fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over, the holder, if such holder is an estate, nominee, trust, partnership, limited liability company or corporation.

8. PRESCRIPTION

Claims in respect of principal and interest will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date.

9. NON-PAYMENT

9.1 Non-payment when due

Except as expressly provided in this Condition 9, none of the Securityholders shall have any right to declare any payment of principal or interest under the Securities immediately due and payable other than following the occurrence of a Winding-Up in respect of the Issuer.

9.2 Proceedings for Winding-Up

If (i) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or (ii) the Issuer has not made payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Securities and Securityholders holding not less than 10% of the aggregate principal amount of the outstanding Securities may, subject to satisfaction of the relevant requirements of applicable law, institute proceedings for the Winding-Up of the Issuer and/or prove in the Winding-Up of the Issuer and/or claim in the liquidation of the Issuer for the principal amount of the Securities plus any accrued but unpaid interest.

9.3 Enforcement

Without prejudice to Condition 9.2, Securityholders holding not less than 10% of the aggregate principal amount of the outstanding Securities may without further notice to the Issuer institute such proceedings against the Issuer as they may think fit to enforce any term or condition binding on the Issuer under the Securities (other than any payment obligation of the Issuer under or arising from the Securities, including, without limitation, payment of any principal or interest in respect of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

9.4 Extent of Securityholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 9, shall be available to the Securityholders, whether for the recovery of amounts owing in respect of the Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities.

10. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. NOTICES

All notices to the Securityholders will be valid if mailed to them at their respective addresses in the register of Securityholders maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of DTC, Euroclear or Clearstream or an alternative clearing system appointed in accordance with the terms of the Securities and the Agency Agreement, notices to Securityholders may be given by delivery of the relevant notice to the clearing systems in accordance with the applicable rules and procedures of the clearing systems for communication by them to entitled accountholders. Any such notice shall be deemed validly given on the day after it has been delivered to DTC, Euroclear, Clearstream or an alternative clearing system as aforesaid.

12. MEETINGS OF SECURITYHOLDERS, MODIFICATION, SUBSTITUTION AND VARIATION

12.1 Meeting of Securityholders

The Agency Agreement contains provisions for convening meetings of the Securityholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50% in principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Securities held or represented by him or them, except that, at any meeting the business of which includes the modification of certain of these Conditions, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than 75%, or at any adjourned meeting not less than a clear majority, of the principal amount of the Securities for the time being outstanding; *provided* that, no modification, amendment or waiver of any Security or the Agency Agreement may, without the consent of each Securityholder affected thereby:

(a) vary or abrogate the rights of such Securityholder relating to the amount of interest, or Additional Amounts, or the amount received by such Securityholder upon redemption of the Securities;

(b) change the date of the Interest Reset Date;

(c) change the obligation of the Issuer to pay Additional Amounts;

(d) impair the right to institute suit for the enforcement of any payment with respect to any Security after the date on which such payment is due;

(e) change the place of payment of, or the coin or currency of payment of the principal of or interest on any Security; or

(f) reduce the above-stated percentage of the aggregate principal amount of the Securities outstanding or reduce the quorum requirements or the percentage of votes required for the taking of any action;

An Extraordinary Resolution passed at any meeting of the Securityholders will be binding on all Securityholders, whether or not they are present at the meeting.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75% in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Securityholders duly convened and held. Such a resolution may consist of several instruments in the like form each executed by or on behalf of one or more Securityholders.

12.2 Modification

The Fiscal Agent may agree, without the consent of the Securityholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Securityholders. Any determination as to material prejudice applying to the interests of the Securityholders pursuant to this Condition shall be made by the Issuer and none of the Agents shall have any responsibility or liability whatsoever with respect to such determinations. Any modification shall be binding on the Securityholders and shall be notified by the Issuer to the Securityholders as soon as practicable thereafter in accordance with Condition 11.

12.3 Substitution or Variation

The Issuer may (without any requirement for the consent or approval of the Securityholders but subject to Condition 12.4) at any time on giving not less than 30 nor more than 60 days' notice to the Securityholders in accordance with Condition 11 and to the Agents, either:

(a) substitute all, but not some only, of the Securities for; or

(b) vary the terms of the Securities with the effect that they remain or become (as the case may be),

Qualifying Securities if, at any time, a Gross-Up Event, Regulatory Event or Tax Deductibility Event has occurred and is continuing (provided that, prior to giving such notice, the Issuer has delivered to the Fiscal Agent: (A) a certificate signed by an Authorized Representative of the Issuer stating that the Issuer would be entitled to effect a redemption in respect of such event pursuant to Condition 6 and (B) in respect of a Gross-Up Event, Regulatory Event or Tax Deductibility Event, an opinion that such event has occurred as described in Condition 6.3, 6.4 or 6.5, respectively). Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities. Any such substitution or variation shall not be permitted if such substitution or variation would itself give rise to a Gross-Up Event, Regulatory Event or Tax Deductibility Event in relation to the Qualifying Securities.

Notwithstanding the foregoing, should a substitution or variation take place at the option of the Issuer under this Condition 12.3, Conditions 3.2, 4.2, 6.1, 6.2 and 15 will survive to the extent that they are necessary for the Securities to qualify as Tier II subordinated securities pursuant to the RSIB, the Detailed Enforcement Regulations on Insurance Business Supervision (as amended or modified from time to time) or other successive regulations in effect at the time of such substitution or variation.

12.4 **Approval**

Notwithstanding any of the above, no provision of Securities may be amended without the prior approval, consent, authorisation or other order of the Financial Services Commission (the "**FSC**"), the FSS or other relevant regulatory authorities of Korea (if then required) if such amendment would or may result in Securities not being treated as regulatory capital of the Issuer under applicable regulations then in effect.

13. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

13.1 **Governing Law**

The Agency Agreement and the Securities (and, in each case, any non-contractual obligations arising out of or in connection therewith) are and will be governed by, and construed in accordance with, English law, except that Condition 3.2 is governed by, and will be construed in accordance with, Korean law.

13.2 **Jurisdiction of English Courts**

(a) Subject to (c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Securities, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Securities (a "**Dispute**") and accordingly each of the Issuer and any Securityholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 13.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) To the extent allowed by law, the Securityholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

13.3 **Appointment of Process Agent**

The Issuer hereby irrevocably and unconditionally appoints Law Debenture Corporate Services Limited at 8th Floor, 100 Bishopgate, London, EC2N 4AG, United Kingdom as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

14. **RIGHTS OF THIRD PARTIES**

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

15. **DEFINITIONS**

For the purpose of these Conditions (except where otherwise defined) the expression:

(a) "**Authorized Representative**" means, with respect to the Issuer, each officer of the Issuer and any other person duly appointed by such officer pursuant to a power of attorney with specific powers to perform such act on behalf of such officer; provided, however, that such power of attorney is granted in a legal and valid manner pursuant to the Issuer's organizational documents.

(b) "**Bankruptcy Event**" means that a court of competent jurisdiction in Korea has adjudicated the Issuer to be bankrupt pursuant to the provisions of the Debtor Rehabilitation and Bankruptcy Act of Korea or any successor legislation thereto.

(c) "**Business Day**" means a day which is 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 Seoul, London and New York City.

(d) "**Calculation Date**" means, the fifth Business Day immediately preceding the Interest Reset Date.

(e) "**Comparable Treasury Issue**" means the U.S. Treasury security having a maturity comparable to the Reset Period and selected by an internationally recognized investment banking firm selected by the Issuer that is a primary U.S. government securities dealer 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 Period.

(f) "**Comparable Treasury Price**" means the average of the three Reference Treasury Dealer Quotations (as defined below) for the Calculation Date.

(g) "**Foreign Event**" means that, in any jurisdiction other than Korea, the Issuer has become subject to bankruptcy, rehabilitation or other equivalent proceedings pursuant to any applicable law of such jurisdiction.

(h) "**Gross-Up Event**" means, on the occasion of the next payment due under the Securities, the Issuer has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any political subdivision of, or any authority in, or of, a Relevant Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective (or in the case of a change in the application or official interpretation, occurs or is being announced) on or after the Issue Date; and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

(i) "**Independent Adviser**" means any independent investment bank of international standing selected and appointed by the Issuer at its own expense from time to time for the purposes of carrying out the duties described in these Conditions and in performing such role such entity shall have regard to the interests of the Issuer and the Securityholders alike.

(j) "**Initial Spread**" means 1.850% per annum.

(k) "**Junior Obligations**" means (i) Subordinated Capital Securities issued by the Issuer, (ii) any class of the Issuer's share capital (including but not limited to any preference shares) and (iii) any other obligations of the Issuer that rank or are expressed to rank, by their terms or by operation of law, junior to the Securities.

(l) "**Liquidation Event**" means that the liquidation process of the Issuer has commenced for any reason other than a Bankruptcy Event or Rehabilitation Event pursuant to the Korean Commercial Code or other applicable laws of Korea.

(m) "**London Banking Day**" means any day on which commercial banks are open for business (including dealings in foreign currency deposits) in London, the United Kingdom.

(n) "**Parity Obligations**" means any instrument or security issued, entered into or guaranteed by the Issuer (other than the Securities) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities.

(o) "**Qualifying Securities**" means, in relation to a substitution or variation of the Securities following a Gross-Up Event, Regulatory Event or Tax Deductibility Event (as the case may be), securities that:

(i) have terms not materially less favourable to an investor than the terms of the Securities (as reasonably determined by an Independent Adviser);

(ii) are issued directly or indirectly by the Issuer;

(iii) shall (or have the benefit of a guarantee that shall) rank *pari passu* with the Securities on a Winding-Up of the Issuer thereof, shall preserve the Securityholders' rights to any payment of accrued and unpaid interest and shall contain terms which provide for the same Interest Rate, Interest Payment Dates and redemption events, from time to time applying to the Securities, and other terms of such securities are substantially identical (as reasonably determined by an Independent Adviser) to the Securities, save for the modifications or amendments to such terms that are specifically required to be made in order to avoid or resolve the Gross-Up Event, Regulatory Event or Tax Deductibility Event, as the case may be;

(iv) have been, or will on their issue date be, assigned at least the same credit as, or higher credit than, the credit rating as that assigned by the Rating Agency to the Securities immediately prior to such substitution or variation (if the Securities are at such time rated); and

(v) are listed on The Stock Exchange of Hong Kong, the Singapore Exchange Securities Trading Limited or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets.

(p) "**Rating Agency**" means Moody's Investor Service, Inc. ("**Moody's**") or Standard & Poor's Rating Services ("**S&P**"), a division of The McGraw-Hill Companies, Inc. (including any of their respective successors to the ratings business, and if Moody's or S&P has ceased to provide rating services for the Securities, such other ratings agency as may have been appointed by the Issuer at such time).

(q) “**Reference Treasury Dealer Quotations**” means the average, as determined by the Calculation Agent, of the bid and ask 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 the Calculation Date by each of the three internationally recognized investment banking firms selected by the Issuer that are primary U.S. government securities dealers.

(r) “**Regulatory Event**” means that where the Securities have been eligible as regulatory capital of the Issuer and at a subsequent time, due to a change of law, regulation or interpretation thereof, which change becomes effective (or in the case of a change in the application or official interpretation, occurs or is being announced) after the Issue Date, the Securities cease to be eligible, in whole or in part, as regulatory capital of the Issuer.

(s) “**Rehabilitation Event**” means that a court of competent jurisdiction in Korea has adjudicated the Issuer to be subject to rehabilitation proceedings pursuant to the provisions of the Debtor Rehabilitation and Bankruptcy Act of Korea or any successor legislation thereto.

(t) “**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Securityholders by the Issuer in accordance with Condition 11.

(u) “**Relevant Jurisdiction**” means the Republic of Korea or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Securities.

(v) “**Reset Determination Date**” means the second London Banking Day before the Interest Reset Date.

(w) “**Reset Interest Rate**” means a fixed rate per annum (expressed as a percentage) equal to the sum of (i) the Treasury Rate in relation to the Reset Period and (ii) the Initial Spread.

(x) “**Reset Period**” means the period from and including the Interest Reset Date to but excluding the Maturity Date.

(y) “**Senior Obligations**” means all claims of present and future policyholders and general creditors of the Issuer and other liabilities of the Issuer (other than Junior Obligations and Parity Obligations).

(z) “**Solvency Margin Amount**” means (i) the aggregate of paid-in capital, reserves for dividends to policyholders, bad debt allowances, subordinated borrowings and amount of other similar items (as determined and announced by the FSC) *minus* (ii) the aggregate of unamortised deferred acquisition cost, goodwill and amount of other similar items (as determined and announced by the FSC).

(aa) “**Solvency Margin Ratio**” means the ratio obtained by dividing the Solvency Margin Amount by the Standard Solvency Margin Amount. Under the current Korean solvency regulations applicable to insurance companies, the Solvency Margin Ratio corresponds to the risk-based capital adequacy ratio under the risk-based capital regime implemented by the FSS.

(bb) “**Standard Solvency Margin Amount**” means the result produced by converting the risks that may arise while carrying out an insurance business into a certain amount by using the method determined and announced by the FSC.

(cc) “**Subordinated Capital Securities**” means perpetual subordinated capital securities issued pursuant to the Regulation on Supervision of Insurance Business and its Detailed Enforcement Regulation, as they may be amended from time to time.

(dd) “**Subordination Event**” means any Bankruptcy Event, Rehabilitation Event, Liquidation Event or Foreign Event.

(ee) “**Tax Deductibility Event**” means the occurrence of a more than insubstantial increase in the risk that interest payable by the Issuer on the Securities is not, or will no longer be, deductible by the Issuer, in whole or in part, for Korean (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) tax purposes, as a result of (i) any change (including any officially announced proposed changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Korea (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after the Issue Date (or, in the case of a successor, following the date of succession), or (ii) any administrative decision, judicial decision, administrative action or any other official pronouncement interpreting or applying those law, regulations or rulings that is announced on or after the Issue Date (or, in the case of a successor, following the date of succession), and, in each case, such non-deductibility cannot be avoided by the Issuer through the taking of reasonable measures available to the Issuer.

(ff) “**Treasury Rate**” means the rate (expressed in per cent. per annum) notified by the Calculation Agent to the Issuer and the Securityholders (in accordance with Condition 11) equal to the yield, under the heading that represents the average for the week immediately prior to the Reset Determination Date, 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 Federal Reserve System, available on the world-wide-website of the Board of Governors of the Federal Reserve System at http://www.federalreserve.gov/releases/h15/ or any successor site, and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity corresponding to the Comparable Treasury Issue, or if there is no Comparable Treasury Issue with a maturity comparable to the Reset Period, yields for the two published maturities most closely corresponding to the Reset Period will be determined and the Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month. If such release (or any successor release) is not published during the week preceding the Reset Determination Date or does not contain such yields, the Treasury Rate shall be the rate (expressed in per cent. per annum) equal to the semi-annual 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 the Reset Determination Date.

(gg) “**Winding-Up**” means any Bankruptcy Event or Liquidation Event.

THE GLOBAL CERTIFICATE

The Global Certificates contain provisions which apply to the Securities in respect of which the Global Certificates are issued, some of which modify the effect of the Conditions of the Securities. Terms defined in the "Terms and Conditions" have the same meaning in the paragraphs below.

General

The Securities will initially be represented by one or more Global Certificates. The Securities sold to QIBs in reliance on Rule 144A will be issued initially in the form of one or more Rule 144A Global Certificates in fully registered form without interest coupons, which will be deposited with The Bank of New York Mellon, as custodian for DTC (in such capacity, the "**Custodian**") and registered in the name of Cede & Co., as nominee of DTC. The Securities sold in offshore transactions in reliance on Regulation S will be initially in the form of one or more Regulation S Global Certificates in fully registered form without interest coupons, which will be deposited with the Custodian and registered in the name of Cede & Co., as nominee of DTC, for the accounts of Euroclear and Clearstream, each of which maintains a U.S. depositary that is a participant in DTC.

Investors may hold their interests in the Global Certificates directly through DTC, Clearstream or Euroclear, as the case may be, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Euroclear and Clearstream will hold interests in the Regulations S Global Certificates on behalf of their participants through DTC. Persons who are not participants in such clearing systems may beneficially own interests in the Global Certificates held by DTC only through participants in such clearing systems or indirect participants (as defined below). Participants include certain securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("**indirect participants**").

So long as the Securities are represented by Global Certificates and such Global Certificates are held by DTC or any other clearing system or by a nominee of DTC or any other clearing system, such clearing system or its nominee will be considered the sole holder of the Securities represented by the applicable Global Certificates for all purposes under the Agency Agreement, including, without limitation, obtaining consents and waivers thereunder, and neither the Fiscal Agent nor we shall be affected by any notice to the contrary. Neither the Fiscal Agent nor we shall have any responsibility or obligation with respect to the accuracy of any records maintained by any clearing system or any participant or indirect participant of such clearing system. The clearing systems will take actions on behalf of their participants (and any such participants will take actions on behalf of any indirect participants) in accordance with their standard procedures. To the extent that any clearing system acts upon the direction of the holders of the beneficial interests in the applicable Global Certificate and such beneficial holders give conflicting instructions, the applicable clearing system may take conflicting actions in accordance with such instructions.

All interests in the Global Certificates, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of their respective systems.

DTC has advised us that it will take any action permitted to be taken by a holder of Securities (including, without limitation, the presentation of Securities for exchange as described below) only at the direction of one or more participants and only in respect of the principal amount of the Securities represented by the Global Certificate as to which such participant or participants has or have given such direction.

Payments

Payment of interest and principal on the Global Certificates will be made to Cede & Co., the nominee for DTC, or such other nominee as may be requested by an authorized representative of DTC, as the registered owner of the Global Certificates by wire transfer of immediately available funds. Neither we nor the Principal Paying and Transfer Agent 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 Global Certificates by DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest by DTC.

We have been informed by DTC that upon receipt of any payment of interest on or the principal of the Global Certificates, DTC will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the Global Certificates as shown on the records of DTC. We expect that payments of interest on and principal of the Securities held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream participants or Euroclear participants, as the case may be, in accordance with the relevant system's rules and procedures. Payments by participants to owners of beneficial interests in the Global Certificates held through such participants will be the responsibility of such participants, as is the case with securities held by broker-dealers, either directly or through nominees, for the accounts of customers and registered in "**street name.**"

So long as the Global Certificate is held on behalf of DTC, Euroclear or Clearstream or any other clearing system, each payment made in respect of the Global Certificate will be made to the person shown as the Securityholder in the register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date"**), where "Clearing System Business Day" means a day on which each clearing system for which the Global Certificate is being held is open for business.

Cancellation

Cancellation of any Security represented by the Global Certificates following its redemption or purchase by us will be effected by endorsement by or on behalf of the Fiscal Agent of the reduction in the aggregate principal amount of the Securities in the register of Securityholders.

Transfers

The Securities (including beneficial interests in the Global Certificates) will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement and will bear a legend regarding such restrictions as set forth under "*Transfer Restrictions.*" Under certain circumstances, transfers may be made only upon receipt by the Registrar of a written certification (in the form(s) provided in the Agency Agreement).

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules. Transfers between participants in Clearstream and Euroclear ("**Clearstream participants**" and "**Euroclear participants**," respectively) will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Securities, cross-market transfers between DTC, on the one hand, and Clearstream participants or Euroclear participants, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be. Any beneficial interest in one of the Global Certificates that is transferred to an entity which takes delivery in the form of an interest in the other Global Certificate will, upon transfer, cease to have an interest in such Global Certificate and receive an interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Certificate for as long as it retains such an interest.

Notices

So long as the Securities are represented by one or more Global Certificates and the Global Certificates are held on behalf of DTC or any other clearing system, notices to Securityholders required by the Terms and Conditions of the Securities may be given by delivery of the relevant notice to DTC or such other clearing system (as the case may be) for communication by it to entitled accountholders.

Individual Securities

If DTC is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by us within 90 days, we will issue individual Securities in certificated, definitive registered form in exchange for the Global Certificates.

Subject to the transfer restrictions set forth on the individual Securities in certificated form, the holder of such individual Securities in certificated form may transfer or exchange such Securities in whole or in part by surrendering them at the specified office of the Registrar. Prior to any proposed transfer of individual Securities in certificated form (other than pursuant to an effective registration statement), the holder may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation to the Registrar. Upon the transfer, exchange or replacement of individual Securities in certificated form not bearing a legend referred to under "*Transfer Restrictions,*" the Registrar will deliver individual Securities in certificated form that do not bear a legend. Upon the transfer, exchange or replacement of individual Securities in certificated form bearing a legend, or upon specific request for removal of a legend on an individual Security in certificated form, the Registrar will deliver only individual Securities in certificated form that bear such legend or shall refuse to remove such legend, as the case may be, unless there is delivered to us such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by us that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Singapore Paying Agent

For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Certificate is exchanged for individual Securities, and unless we obtain an exemption from the SGX-ST, we will appoint and maintain a paying agent in Singapore where the individual Securities may be presented or surrendered for payment or redemption. In addition, in the event that a Global Certificate is exchanged for individual Securities, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the individual Securities, including details of the paying agent in Singapore.

Miscellaneous

DTC has advised us as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for the physical movement of certificates.

Although DTC, Clearstream and Euroclear have established the foregoing procedures in order to facilitate transfers of interests in the Global Certificates among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the Fiscal Agent will have any responsibility for the performance by DTC, Clearstream and Euroclear, or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

REGULATION AND SUPERVISION

Under the Insurance Business Act, a company seeking to engage in the insurance business in Korea is required to obtain business authorizations and licenses from the FSC, and such company is required to comply with the Insurance Business Act and the Corporate Governance Act, and their respective subordinate rules and regulations, in operating its business. These rules and regulations cover, among other things: (i) the requirements for obtaining business authorizations and licenses to operate an insurance company; (ii) the scope of business an insurance company may undertake; (iii) the operations of an insurance company, including its asset management activities; (iv) the operations of a foreign insurance company in Korea; (v) methods of insurance solicitation; (vi) supervision of the insurance business; and (vii) disciplinary actions for violation of the Insurance Business Act, which may include revocation of license, imprisonment, suspension of operations, fines, surcharges and penalties.

The Corporate Governance Act, the Enforcement Decree of the Corporate Governance Act and the Enforcement Rules of the Corporate Governance Act also provide for, among other things: (a) requirements for the directors, officers and certain employees of an insurance company and matters to be observed by them; (b) requirements for obtaining approval to become a large shareholder of an insurance company (defined as (1) the largest shareholder and its specially-related persons; or (2) major shareholders holding 10% or more of the equity interest in, or exercising de facto control over, such entity), and certain on-going eligibility requirements to be met by the largest shareholder; (c) the corporate governance structure of an insurance company, including the requirements for outside directors and committees of the board of directors; and (d) matters relating to the internal control system of an insurance company.

The FSC has the authority to oversee matters involving licenses necessary for, and supervision of, the insurance business. Through the Regulation on Supervision of Insurance Business and the Regulation on Corporate Governance of Financial Companies, the FSC provides detailed criteria for obtaining the authorization necessary to engage in the insurance business, as well as various comprehensive standards required to be met by an insurance company as determined by the FSC. The FSC entrusts the FSS with certain matters pursuant to the Regulation on Supervision of Insurance Business, which are specified under the Detailed Enforcement Regulations on Insurance Supervision. In addition under the Financial Consumer Protection Act, which was enacted in March 2020 and became effective in March 2021 (with certain provisions relating to internal control under such Act to have become effective in September 2021), insurance companies, as financial instrument distributors, are subject to heightened financial consumers protection measures, including regulations relating to the sale of financial products.

Since an insurance company falls within the scope of a financial institution under the Act on the Structural Improvement of the Financial Industry, special provisions thereunder apply to an insurance company in the event (i) it merges with, or converts into, another financial institution, (ii) it becomes bankrupt or insolvent or is dissolved or (iii) members of its business group acquire shares of another company by more than a certain percentage. In addition, an insurance company that offers and sells investment-type insurance products (such as variable insurance) and manages assets under special accounts for variable insurance policies falls within the scope of a financial investment company under the FSCMA. Such insurance company deemed as a financial investment company is subject to certain provisions under the FSCMA such as regulations on the control of conflicts of interest as well as the establishment and maintenance of firewalls for asset management of special accounts related to variable insurance policies. Furthermore, pursuant to the Foreign Exchange Transactions Act, an insurance company is required to obtain prior approval from the Ministry of Economy and Finance, the Bank of Korea, the FSS or a foreign exchange bank and may have to file subsequent ongoing reports if the company engages in any of the following: (a) a transaction involving a foreign currency; (b) a transaction with a non-resident involving either the Won or a foreign currency; (c) a transaction that requires a payment to be sent abroad; (d) a transaction through which a payment will be received from overseas; and (e) any other transaction prescribed under the Foreign Exchange Transactions Act.

Authorization and License

Criteria for Establishment

Under the Insurance Business Act, an entity seeking authorization to engage in insurance business in Korea must have (i) paid-in capital of not less than Won 30 billion; (ii) sufficient manpower and adequate facilities; (iii) sound and reasonable business plans; and (iv) a large shareholder meeting certain eligibility criteria. If the large shareholder is a financial institution, it is required to meet the following criteria:

- the large shareholder's equity must not be less than 300% of the total amount of investment in the insurance company;

- the financial soundness of the large shareholder must meet certain standards;

- if the large shareholder belongs to a large business group under the Monopoly Regulation and Fair Trade Act, the debt ratio of such group may not exceed 200%;

- the large shareholder must not have been subject to any criminal penalty equivalent to or more severe than a criminal fine during the last five (5) years for violation of certain laws regulating the financial industry, including the Insurance Business Act, the Banking Act, the FSCMA, the Monopoly Regulation and Fair Trade Act and the Punishment of Tax Evaders Act;

- if the large shareholder was a large shareholder or a related party of a financial institution which has been designated as a distressed financial institution pursuant to the Act on the Structural Improvement of the Financial Industry or whose license, registration or approval has been revoked pursuant to certain financial regulations, the large shareholder must have satisfied the standards as declared by the FSC by bearing the economic responsibility resulting from the distress;

- the amount to be invested by the large shareholder must not have been obtained through a loan; and

- the largest shareholder must not have received any administrative sanctions equivalent to or more severe than an institutional warning for the last one year, or a corrective order or business suspension for the last three years.

If the large shareholder is a non-financial institution, foreign corporation or private equity fund, it is required to satisfy a different set of criteria as set forth under the Insurance Business Act and its subordinate regulations.

Eligibility for Becoming an Officer

Anyone (i) incapacitated, declared bankrupt or sentenced to criminal charges; (ii) who was a former officer of a company that had its license or authorization revoked under the applicable law within preceding five-year period; (iii) who has been sanctioned by the FSC or the FSS pursuant to the

Corporate Governance Act, the Insurance Business Act or any other financial or regulations within the preceding five-year period or less, depending on the nature of the sanctions; or (iv) who represents the interest of another person in connection with the asset management of a relevant insurance company, including those who have a special relationship with a person that entered into a credit transaction with a balance of Won 1 billion or more with the relevant insurance company, is restricted from becoming a director, an auditor or an executive officer of an insurance company.

Approval of Large Shareholders

A person seeking to become a large shareholder of an insurance company through acquisition of the company's shares must meet certain criteria as set forth in the Corporate Governance Act and its subordinate regulations, and obtain prior approval from the FSC. Specific criteria differ based on whether or not such large shareholder is a financial institution, a fund, a local or foreign enterprise or individual or a private equity fund.

Ongoing Eligibility Requirements for the Largest Shareholder

Under the Corporate Governance Act, the financial regulators evaluate every two years whether the largest shareholder of a financial institution meets certain ongoing eligibility requirements. If such financial institution becomes aware that its largest shareholder fails to meet any of such requirements, it is required to report such fact to the FSC. Such requirements would not be met if (i) the largest shareholder becomes incapacitated; (ii) the largest shareholder becomes bankrupt; (iii) the largest shareholder receives a penalty equivalent to or more severe than a fine pursuant to the Corporate Governance Act or other financial regulations; (iv) a financial company for which the largest shareholder serves as an officer or an employee is ordered to take a corrective measure or receives an administrative sanction under the Act on the Structural Improvement of the Financial Industry; (v) the largest shareholder as a financial company's officer or employee receives certain disciplinary actions under the Corporate Governance Act or other financial regulations; or (vi) the largest shareholder receives any sanction by the FSC or the FSS pursuant to the Corporate Governance Act, the Insurance Business Act or any other financial or regulations.

If the largest shareholder fails to meet any of the above requirements, the FSC may request the financial institution to take measures to prevent any conflict of interest with the largest shareholder (such as restricting such financial institution from dealing with the largest shareholder) or other necessary measures such as publicly disclosing such failure on its website. In addition, if the largest shareholder receives a criminal sanction equivalent to or more severe than imprisonment of one year or longer as a result of its violation of the Corporate Governance Act, the Monopoly Regulation and Fair Trade Act, the Punishment of Tax Evaders Act or other financial regulations, its voting right for shares held in excess of 10% of the issued shares of the financial institution may be restricted by the FSC.

Revocation of License

The FSC may revoke the license to engage in insurance business for any of the following material violations by an insurance company: (i) receiving a license based on false information or using dishonest methods; (ii) violation of any of the terms upon which the license was conditioned; (iii) engaging in business during a suspension period; and (iv) failure to comply with a corrective order issued by the FSC.

The Financial Consumer Protection Act

The Financial Consumer Protection Act became effective in March 2021 (and certain provisions relating to internal control under such Act became effective in September 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.

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) prohibition of unfair sales practices, (v) prohibition of improper solicitation and (vi) advertisements. Among these six principles, suitability, appropriateness and duty to explain apply only to "general financial consumers," although certain "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 advisers, (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 the shorter period of (i) one year from the time that the customer becomes aware that the financial product was sold in violation of the regulatory requirements and (ii) five year from the date on which such contracts are made.

Punitive Penalty Surcharges

In case of a violation of the principles regarding the duty to explain, prohibition of unfair sales practices, prohibition of 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.

Sales

Scope of Business of Life Insurance Companies

Under the Insurance Business Act, an insurance company is prohibited from concurrently operating a life insurance business and general insurance business (including property, marine and cargo and liability insurance), **provided that** an insurance company may concurrently operate a "type three" insurance business (including casualty, disease and health care insurance) and provide reinsurance to other life insurance companies. However, limited cross-selling of life insurance and general insurance products by insurance sales agents working for life insurance or general insurance companies in Korea is permitted by the FSC. See "— *Insurance Solicitation*."

Upon approval by the FSC, a life insurance company may operate (i) a life insurance business, (ii) a retirement pension business and (iii) type three insurance businesses. A life insurance company may also operate concurrent businesses and ancillary businesses designated by the Enforcement Decree of the Insurance Business Act subject to certain conditions, such as submitting reports to the FSC prior to the commencement of the new business. Such activities include:

- securitized assets management business under the Asset-Backed Securitization Act;
- securitized assets management business under the Securitization Companies for Mortgage-Backed Bonds Act;
- credit-backed assets management business under the Korea Housing Finance Corporation Act;
- business of electronic funds transfer under the Electronic Financial Transaction Act;
- MyData business under the Credit Information Use And Protection Act;
- collective investment business, investment advisory business, discretionary investment management business and trust business, investment trading business of collective investment securities, investment brokerage business of collective investment securities under the FSCMA; and

- any ancillary business of the insurance business subject to the conditions that (a) such business does not harm the company's management soundness, obstruct the protection of the policyholders or harm the stability of the financial market, and (b) such business is reported to the FSC at least seven days prior to the commencement of such activities.

Overlap of Products with General Insurance Companies

Under the Insurance Business Act, both life insurance companies and general insurance companies may engage in type three insurance business covering casualty, disease or health care. Life insurance companies are permitted to sell products that cover actual damages arising from casualty and diseases, while general insurance companies are permitted to sell general insurance products that offer death benefits in the case of death arising from illness, subject to certain limitations on liability. As a result, there is no clear distinction between these insurance products offered by life insurance companies and general insurance companies.

Retirement Pension

The Employee Retirement Benefit Security Act, which incorporates the relevant provisions of the Labor Standards Act, provides for a comprehensive retirement benefit system consisting of several different plans available to employers and their employees, in addition to the previous severance system. The purpose of the Employee Retirement Benefit Security Act is to provide employees with stable income after retirement. Under the Employee Retirement Benefit Security Act, such employers are required to adopt at least one of the following retirement benefits plans: (i) a severance payment plan; or (ii) a retirement pension plan in the form of a defined benefit plan or a defined contribution plan. Employers with less than 10 employees may also establish individual retirement pension plans in lieu of one of these plans. For employers that previously maintained a severance payment system, the employer is required to obtain consent from the labour union (if it is organized by the majority of the employees) or the majority of its employees in order to implement a retirement pension plan in the form of a defined benefit plan or a defined contribution plan.

Under the Employee Retirement Benefit Security Act, qualified financial institutions, including life insurance companies, may engage in the retirement pension operation business and are required to be registered with the Ministry of Employment and Labor as a retirement pension operator. Retirement pension operators are subject to the supervision of the Ministry of Employment and Labor and the FSC. The Employee Retirement Benefit Security Act requires qualified retirement pension operators to carry out their responsibilities in good faith and with due care and to comply with the agreement entered into with the employer in connection with retirement pension management and administration. Qualified retirement pension operators are also required to submit a report on the performance results of the retirement pension accounts to the employer, the Ministry of Employment and Labor and the FSS within three months following the end of each fiscal year.

Variable Life Insurance

Under Article 251(1) of the FSCMA, an insurance company must obtain authorization for collective investment scheme services in order to establish and operate a special account under a variable insurance contract. However, pursuant to Article 77 of the FSCMA, which provides in relevant part that an insurance company is deemed to have obtained an authorization of financial investment services for brokerage or dealing pursuant to Article 12 thereof in the case where an insurance company enters into a contract for insurance with investment components or acts as a broker or an agent, an insurance company may sell a variable insurance contract without a separate license. However, in order for an insurance company to sell other collective investment securities, such insurance company must obtain a separate license for dealing or brokerage. Insurance companies engaging in the sale of variable life insurance products are required to maintain separate accounts related to such products.

Under Financial Consumer Protection Act, insurance companies offering variable financial products may be held liable for damages incurred by their policyholders as a result of their improper solicitation tactics during the sales process of variable financial products, such as misrepresenting profit margins of a fund. With respect to requirements regarding sales process of variable financial products, See "— *The Financial Consumer Protection Act*" and "— *Insurance Solicitation*."

General Terms of Insurance Policy

Although a standard contract designated by the governor of the FSS is generally used for each insurance product, a modified standard contract may be used after filing a report to the FSC prior to using such contract in the event a standard contract is unsuitable for use due to specific features of a life insurance product. Each insurance contract must be clearly drafted and easy to understand and not violate reasonable expectations of policyholders or public interest. Pursuant to the Regulation of Standardized Contracts Act, if an insurance sales agent fails to deliver to a policyholder an insurance contract and a copy of the written application, or fails to explain to the policyholder any material term of a contract, the insurance company may not claim that any terms of such contract should be enforceable against such policyholder. Furthermore, if an insurance sales agent fails to deliver to a policyholder an insurance contract and a copy of the written application, or fails to explain to the policyholder any material term of a contract, the policyholder may cancel such policy within three months from the date of execution. An unfair insurance contract provision contrary to the good faith principle is deemed null and void.

Insurance Solicitation

The Insurance Business Act limits entities who may engage in insurance solicitation to insurance sales agents, insurance agencies (including those of financial institutions), insurance brokers and officers and employees of an insurance company. Any entity wishing to act as an insurance sales agent, insurance agency (including those of financial institutions) or insurance broker must register with the FSC and report promptly to the FSC the occurrence of certain changes prescribed under the Insurance Business Act.

Any person engaging in insurance solicitation is prohibited from providing special benefits (including, but not limited to, cash over a certain amount and discounts on insurance premiums) in connection with the execution of an insurance contract unless such special benefits are stipulated in the underlying document(s) for such insurance product. In addition, an insurance company is prohibited from entrusting any other person other than those who are eligible under the Insurance Business Act to engage in insurance solicitation or paying any compensation to any ineligible persons for his or her insurance solicitation. The Insurance Business Act and the Enforcement Decree of the Insurance Business Act also prescribe in detail certain practices that insurance agencies of financial institutions are restricted from engaging in, including, but not limited to including insurance premiums in loan transactions without the prior consent of the borrower.

The Insurance Business Act permits insurance sales agents working for Korean life insurance companies to cross-sell general insurance products of one general insurance company, and insurance sales agents working for Korean general insurance companies are correspondingly permitted to cross-sell the life insurance products of one life insurance company.

Furthermore, under Financial Consumer Protection Act, when executing a contract for a financial product including insurance product, conducting other relevant transactions, or providing advisory service whether a counterparty financial consumer is an ordinary financial consumer or a professional financial consumers should be ascertained and certain information should be obtained when soliciting an ordinary financial consumer to conclude a contract for a certain financial product including variable indemnity products under Article 108 (1) 3 of the Insurance Business Act with confirmation from the ordinary financial consumer and such information should be maintained and managed appropriately and upon request of the ordinary financial consumer provided to the ordinary financial consumer, without delay.

Financial Consumer Protection Act requires insurance solicitor to obtain certain information before concluding a contract for certain financial product including variable indemnity products under Article 108 (1) 3 of the Insurance Business Act with an ordinary financial consumer without soliciting the ordinary financial consumer to conclude a contract for such financial product, and when financial product concerned is not appropriate for an ordinary financial consumer in light of the information identified to notify the ordinary financial consumer of the fact and obtain confirmation on the notification.

When soliciting an ordinary financial consumer to conclude a contract or when an ordinary financial consumer requests explanation, insurance solicitor should explain important matters concerning financial products to the ordinary financial consumer in a manner that the ordinary financial consumer can understand. For example, when soliciting for indemnity products, (i) description of an indemnity product, (ii) insurance premium, (iii) grounds for restriction on the payment of insurance claims and the procedure for payment, (iv) the scope of risk coverage, (v) other matters specified by Presidential Decree of Financial Consumer Protection Act as important for indemnity products, such as the term of risk coverage should be explained. A written explanation necessary for the explanation should be provided to each ordinary financial consumer and confirmation of the consumer understanding the explanation should be obtained. Unfair business activities such as demanding or receiving any benefit in connection with business activities are strictly prohibited under Financial Consumer Protection Act. Unfair solicitation, such as providing conclusive judgment on any uncertain matter or giving any misleading information, misrepresenting the description of a financial product, knowingly omitting to inform a financial consumer of any matter seriously affecting the value of a financial product is prohibited by Financial Consumer Protection Act. When advertising, clear and fair description of the financial product should be given to avoid misleading information and statement of recommending the reading of the written explanation and terms and conditions of the contract for the financial product concerned before concluding the contract for the financial product and name of the financial product distributor or adviser and the description of the financial product should be included in the advertisement.

Bancassurance

Life insurance companies may use the bancassurance channel only to distribute individual savings insurance products, including individual pension, annuity and endowment, credit protection policies and type three insurance covering personal casualty, disease or health care expenses. General insurance companies may utilize the bancassurance channel only with respect to individual pension, long-term savings insurance, credit protection policies, residential fire insurance, casualty insurance (excluding group insurance), package insurance and type three insurance covering casualty, disease or health care expenses.

Financial institution insurance agencies are required to engage in the marketing of bancassurance products through in-person meetings with customers in specified locations designated for such sale. Financial institution insurance agencies are prohibited from engaging in marketing activities by visitation, telemarketing, or marketing through mail or e-mail. In addition, each financial institution is required to staff bancassurance sales personnel, and the number of such personnel is required to be limited to two persons per branch, with an exception for the hiring of an insurance sales agent. Bancassurance sales personnel are prohibited from handling consumer credit transactions or other activities that may result in illegal sales, including cross-selling of loan products with insurance products. Regulators have also instituted criteria for reporting any modification of the underlying terms and conditions of the insurance products that are sold through bancassurance sales channels. For instance, the bancassurance acquisition cost is required to be set within a 50% range of the expected acquisition cost for insurance products not sold through bancassurance sales channels. Commissions payable for the sale of bancassurance products are required to be disclosed on the financial institution's website as well as during in-person sales meetings.

Premium Calculation Method

Under the cash flow pricing system, the costs of insurance products are calculated by using various factors affecting the cash flow of an insurance company, including actual acquisition costs, insurance claim payments and surrender values based on statistics from the company's past experience. Pricing is ultimately decided by adding a certain amount of margin based on marketing strategy, sales volume and market competitiveness. Under the cash flow pricing system, insurance companies are able to calculate insurance premiums specifically tailored for different marketing strategies, types of insurance products and customer characteristics. The cash flow pricing system has facilitated development of additional insurance products and enabled insurance companies to have more flexibility in managing their insurance and actuarial functions.

Products

Basic Documents for Insurance Products

An insurance company must prepare basic documents, which include standard terms and conditions, a business operation manual and a premiums and reserves calculation manual, for an insurance product that it intends to sell and comply with their terms. Where an insurance company intends to prepare a basic document or change any terms thereof, and such action falls under any of the following categories, the insurance company must report such action to the FSC in advance:

- where a new insurance product is introduced or it becomes mandatory to subscribe to an insurance product as a result of an enactment or an amendment of laws or regulations; or

- cases prescribed by Presidential Decree for protection of policyholders.

An insurance company must establish procedures and standards (a "Standard on Management of Basic Documents") to be observed in preparing or changing basic documents and comply with the terms thereunder. The Standard on Management of Basic Documents must include certain provisions required under the Insurance Business Act. Where an insurance company newly establishes or amends its Standard on Management of Basic Documents, the insurance company must report such action to the FSC.

Accounting and Risk Management

Calculation

An insurance company is required to close its books on 31 December of each year and submit, within three months, its financial statements and business report to the FSC in accordance with the specifications prescribed by the FSC.

An insurance company is required to report, for every settlement period and based on the types of insurance contracts, the liability reserve and the emergency-risk reserve prescribed under the Enforcement Decree of the Insurance Business Act, and account for each of such reserves separately. In order to ensure proper calculation of liability reserve and emergency-risk reserve, the FSC may establish accounting standards with respect to the assets and expenditure of insurance companies and any other matters prescribed under the Enforcement Decree of the Insurance Business Act. Other details necessary for the calculation of such reserves are prescribed under ordinances of the Prime Minister, the Regulation on Supervision of Insurance Business and the Detailed Enforcement Regulations on Supervision of Insurance Business.

Risk Management

In order to secure an insurance company's ability to pay insurance claims and assure the soundness of its management, an insurance company is required to meet the following requirements:

- a risk-based capital adequacy ratio (i.e., a solvency ratio) of not less than 100%;
- classification of its assets, including loan portfolio, and corresponding reserves of bad debt allowances; and
- the standards set by the FSC with respect to the risks, liquidity and reinsurance management of insurance companies.

With respect to requirements regarding the risk-based capital adequacy ratio, see "— *Risk-Based Supervision of Insurance Companies.*"

The FSC may take additional necessary measures, such as ordering an insurance company to increase its capital or placing limits on the holding of risky assets, in order to ensure financial soundness of an insurance company.

An insurance company registered to perform foreign exchange work under the Foreign Exchange Transactions Act is also required to separately manage foreign currency assets and liabilities according to maturity terms, as well as maintain the following ratios:

- assets that will mature within three months must be greater than 80% of liabilities that will mature within the same period; and
- with respect to the maturity for foreign currency assets and liabilities, as follows:
- if the term to maturity is not more than seven days, liabilities may not exceed assets; and
- if the term to maturity is not more than one month, liabilities may not exceed 10% of assets.

Dividends to Policyholders of Participating Products

Under the Insurance Business Act, life insurance companies that have sold participating life insurance products, which provide a participation feature in the form of dividends to the policyholders, are required to separately account for the gains between participating products and non-participating products and pay dividends to policyholders of participating products only with gains allocated to participating products. At the end of each fiscal year, a life insurance company must first retain policy reserves from its overall income and then allocate the remaining income, if any, as either gains from

(i) participating products; (ii) non-participating products; or (iii) capital account. The foregoing (ii) and (iii) are allocated to the shareholders and may be paid out as dividends to shareholders. For (i), at most 10% of such gains may be allocated to shareholders and the remainder must be allocated to the participating policyholders.

When allocating gains, they are classified as mortality gains, expense gains, investment gains or other gains. Mortality gains and expense gains are determined on a policy-by-policy basis, while investment gains are divided between participating products and non-participating products based on the ratio of their respective policy reserves, and other gains are divided between participating products and non-participating products based on the ratio of their respective premium income. However, with respect to investment gains from investment assets, including marketable securities, gains are also allocated to the applicable account, whether participating product, non-participating product or capital account, based on the ratio of the funds from such source used for the acquisition of investment assets to the company's total assets. The gains that were attributed to participating products as described above, together with the amounts carried forward from the previous year as reserves, may be paid out to participating policyholders as dividends after the end of each fiscal year.

Asset Management

Restrictions on Asset Management

Insurance companies are prohibited from engaging in the following categories of activities: (i) possessing real estate other than business facilities or certain investment projects; (ii) possessing real estate through special accounts; (iii) extending loans for the purpose of speculating in goods or securities; (iv) extending loans to their own officers or employees; (v) extending loans to purchase their own shares; (vi) extending loans to establish political funds; and (vii) committing any act that is prohibited under the Enforcement Decree of the Insurance Business Act as having the potential to greatly undermine the safety of the asset management business.

Subject to certain exceptions, major restrictions relating to management of general account assets by insurance companies are as follows:

- extension of credits to the same individual or corporation: 3% or less of total assets;
- the aggregate amount of bonds and shares issued by the same corporation: 7% or less of total assets;
- the aggregate amount of credits extended to and the bonds and shares issued by the same borrower: 12% or less of total assets;
- the aggregate amount of credits extended in excess of 1% of total assets to the same individual, corporation, borrower or large shareholder (including its specially related parties): 20% or less of total assets;
- extension of credits to large shareholders and certain subsidiaries: 40% or less of shareholder's equity (or, in the event that the amount equivalent to 40% of shareholder's equity is larger than the amount equivalent to 2% of total assets, 2% or less of total assets);
- the aggregate amount of bonds and shares issued by large shareholders and certain subsidiaries: 60% or less of shareholder's equity (or, in the event that the amount equivalent to 60% of shareholder's equity is larger than the amount equivalent to 3% of total assets, 3% or less of total assets);

- extension of credits to the same subsidiary: 10% or less of shareholder's equity;
- holding of permitted real estate: 25% or less of total assets; and
- holding of foreign exchange or foreign real estate: 50% or less of total assets.

Insurance companies are also required to own and manage assets under separate accounts pursuant to certain restrictions and ratios.

If an insurance company acquires (i) beneficiary certificates of an investment trust of which such insurance company is the sole beneficiary or (ii) shares of an investment company of which such insurance company is the sole shareholder, under the FSCMA, the restrictions on asset management described above apply to such insurance company as if it had acquired the asset directly.

Restrictions on Dealings with Large Shareholders

In order to promote transparent asset management of insurance companies, the Insurance Business Act generally prohibits unfair dealings between insurance companies and their large shareholders, and requires public disclosure of dealings between insurance companies and their large shareholders. When an insurance company extends loans to, or acquires bonds or shares issued by, its large shareholders in excess of the lesser of 0.1% of its shareholder's equity and Won 1 billion, such insurance company must obtain a unanimous resolution from its board of directors.

Restrictions on Equity Investments

Insurance companies are prohibited from holding voting shares or equity interests issued by another company in excess of 15% of the total number of such voting shares or equity interests; **provided that**, such holding shall be permitted upon approval by the FSC, or, with respect to any subsidiary with close business relationship with the insurance industry, upon filing a report with or deemed to be approved by the FSC.

Establishment and Operation of Separate Accounts

Insurance companies must establish and operate separate accounts on the balance sheet and income statements relating to variable life insurance policies, retirement pension policies, tax-qualified pension savings products and asset-linked insurance products.

Restrictions on Foreign Exchange Transactions

Major types of foreign currency assets that may be traded by insurance companies are (i) shares listed or to be listed on a foreign securities exchange; (ii) shares of such insurance companies' subsidiaries; (iii) shares, equity interests or beneficiary certificates issued by a foreign fund; (iv) shares of companies mainly engaging in certain insurance-related business which are not listed on a foreign securities exchange; (v) interests in foreign private equity funds; (vi) foreign currency-denominated beneficiary certificates; (vii) credit linked notes, credit linked deposits or synthetic collateralized debt obligations, as long as the underlying assets are assigned a credit rating of investment grade or above for securities of Korean issuers and a credit rating of upper-medium grade (A- or above by S&P or an equivalent rating assigned by another credit rating agency) or above for securities of foreign issuers; (viii) securities in foreign currency issued by Korean residents which are assigned a credit rating of investment grade or above or are guaranteed by a financial institution of the same or a higher credit rating; (ix) securities in foreign currency issued by non-residents which are assigned a credit rating of investment grade (BBB- or above by S&P or an equivalent rating assigned by another credit rating agency) or above or are guaranteed by a financial institution of the same or a higher credit rating or a non—financial institution with a credit rating of upper-medium grade (A- or above by S&P or an equivalent rating assigned by another credit rating agency); (x) securities denominated in foreign currency which are assigned a credit rating of investment grade or above by a credit rating agency designated by local financial regulators pursuant to Basel standards; (xi) permitted real estate located abroad; or (xii) other permitted foreign exchange transactions such as certain instrument of offshore payment, foreign currency deposits, discretionary asset management contract denominated in foreign currency, loans in foreign currency, and loan for foreign securities; **provided that**, if certain foreign currency assets meet the above requirements at the time they were acquired by an insurance company, the insurance company may choose to continue to hold such foreign currency assets in the event that they subsequently fail to meet the above requirements as a result of a downgrade in the relevant credit ratings so long as such continuation is reviewed by an investment committee or a risk management committee of the insurance company pursuant to its internal policies.

Restrictions on Derivatives Trading

Insurance companies are permitted to trade derivatives under the general account if the notional amount is 3% (in the case of over-the-counter derivatives) or the margin deposit is 6% (in the case of exchange-traded derivatives) or less of their total assets. Insurance companies are also permitted to trade derivatives under the separate account if the notional amount is 3% (in the case of over-the-counter derivatives) or the margin deposit is 6% (in the case of exchange-traded derivatives) or less of the assets held under each separate account. Such trade restrictions shall not apply if the derivatives trade is for hedging purposes or falls under the items (i) or (vii) set forth above under "*—Restrictions on Foreign Exchange Transactions*."

Prohibition on Transactions with Financial Institutions and Companies

Insurance companies are prohibited from engaging in certain transactions with other financial institutions and companies and may not exercise voting rights on any shares acquired through such prohibited transactions. Such prohibited transactions include (i) extending credit to or swapping voting shares with those of other financial institutions or companies in order to avoid the restrictions on the management of assets under the Insurance Business Act and (ii) swapping shares in order to avoid restrictions on acquisition of treasury shares under applicable laws.

Prohibition on Provision of Guarantees

Under the Insurance Business Act, insurance companies are generally prohibited from pledging its assets as a security or a guarantee for repayment of a third party's debt obligations, except for purchasing credit derivative-linked securities or credit-linked deposits or providing guarantees with respect to debt obligations of subsidiaries engaging in the insurance business overseas.

Internal Control

Board Composition

Under the Corporate Governance Act, an insurance company with total assets of not less than Won 5 trillion (Won 2 trillion if such insurance company is publicly listed) as of the end of the latest fiscal year is required to have a board of directors consisting of at least three independent directors, who must constitute a majority (or a quarter in the case of an insurance company with total assets of less than Won 300 billion) of the board of directors. The chairman of such board must be an independent director, failing which the insurance company must publicly disclose such fact and separately appoint a lead independent director. The board of directors must also establish an executive candidate recommendation committee, an audit committee, a risk management committee and a remuneration committee. The majority of the members of such committees must be composed of independent directors, and the chairman of each committee must be an independent director.

Audit Committee

Under the Corporate Governance Act, an insurance company with total assets of not less than Won 5 trillion (Won 2 trillion if such insurance company is publicly listed) as of the end of the latest fiscal year is required to have an audit committee consisting of at least three directors, in which (i) outside directors make up not less than two thirds of the total members and (ii) at least one member is an expert in accounting or finance, such as a certified public accountant.

Risk Management Committee

Under the Corporate Governance Act, a risk management committee is required to review and adopt the following matters: (i) basic policies and strategies for risk management; (ii) level of risk to be taken by the insurance company; (iii) approval of adequate maximum investment volume and permitted loss; (iv) establishment and amendment of risk management standards; and (v) any other matters as prescribed by the FSC.

Internal Control Mechanism

For the purposes of compliance with applicable laws and regulations, sound management of its assets and protection of its policyholders, an insurance company is required to establish internal control procedures and standards in accordance with which its officers and employees are required to perform their duties.

Internal control standards of an insurance company are required to include information concerning the following: (i) a division of duties within, and the organizational structure of, the company; (ii) procedures to be duly observed by the company's officers and employees in performing their duties; (iii) duties to be performed by directors, officers and compliance officers for internal control; (iv) individuals and support groups specializing in internal control; (v) establishment of a system through which information necessary for decision making can be efficiently conveyed; (vi) procedures and methods by which the company may verify whether its officers and employees adhere to its internal control standards, and penalties on violation of such standards; (vii) procedures and standards employed by a company to prevent its officers and employees from engaging in unfair trade practices; (viii) procedures to be followed when establishing or modifying internal control standards; (ix) procedures for the appointment and removal of a compliance officer; (x) measures and procedures for managing conflicts of interest; (xi) only in case of financial holding company, a compliance manual relating to the contents and production of advertisements for insurance products and services; (xii) evaluation and management of requirements for concurrent office positions of officers and employees under the Corporate Governance Act; and (xiii) additional detailed standards as prescribed by the FSC.

In addition, an insurance company must establish a "risk management standard" which sets forth standards and procedures for recognizing, monitoring and controlling risks involved in management of its assets, performance of duties and entering into various transactions.

Compliance Officer and Risk Management Officer

An insurance company is required to designate at least one compliance officer to undertake to check compliance with internal control standards and investigate and report any violation to the audit committee. In addition, an insurance company must designate at least one risk management officer to monitor and manage risks arising out of management of its assets, performance of duties and entering into various transactions.

Each of the compliance officer and the risk management officer is required to perform his or her supervisory duties in good faith and may not undertake any tasks relating to the core function of the insurance business such as management of the company's assets or sale of its insurance products. In case an insurance company has total assets of not less than Won 5 trillion (Won 2 trillion if such insurance company is publicly listed) as of the end of the latest fiscal year, its compliance officer and risk management officer may not in principle be the same person. Appointment of a compliance officer must be approved by a resolution of the board of directors and removal of such compliance officer requires two-thirds of the votes from the members of the board of directors.

Risk-Based Supervision of Insurance Companies

Pursuant to its authority under the Regulation on Supervision of Insurance Business and the Detailed Enforcement Regulations thereof, the FSS has developed a risk-based insurance supervision framework for insurance companies consisting of the following three pillars:

- *risk assessment and application system*, to assess the risk profiles and risk management systems of insurance companies;

- *risk-based capital adequacy requirements*, to require insurance companies to hold adequate capital to cover their risk exposures; and

- *risk-related disclosure requirements*, to strengthen market discipline by expanding public disclosure requirements for insurance companies regarding their risk profiles and risk management systems.

Risk Assessment and Application System ("RAAS")

All insurance companies operating in Korea are subject to periodic risk assessments by the FSS under RAAS. RAAS seeks to comprehensively and systematically assess an insurance company's risks and management weaknesses by evaluating the company's risk exposure, risk control and risk tolerance. Quantitative assessments under RAAS are conducted on a quarterly basis, while qualitative assessments are generally conducted on an annual basis.

The risk exposure of an insurance company is quantitatively and qualitatively evaluated by measuring such company's exposure to specified categories of risks, which consist of, management risk, insurance risk, interest rate risk (including asset and liability management risk), investment risk (market risk and credit risk), liquidity risk, capital adequacy as well as such company's profitability level. The FSS uses 17 quantitative indicators to measure an insurance company's risk exposure across the seven risk categories.

Risk control is qualitatively assessed with a focus on the adequacy of an insurance company's risk management systems and internal controls. Risk tolerance is quantitatively assessed by measuring an insurance company's capital adequacy and earnings in order to evaluate its ability to absorb potential losses caused by failures to properly manage risk. An insurance company is given a rating between 1 (strong) and 5 (critically deficient) for each area of risk assessment, as well as an overall comprehensive risk grade ranging from 1 to 5.

If an insurance company receives a rating of 4 or lower for its solvency margin risk or any two of its insurance risk, interest rate risk and investment risk, the FSS may recommend that such insurance company improve its management through, among other things, improvements in operation of organization and human resources, increases or decreases of capital and restrictions on launch of new businesses. For an insurance company that receives an overall comprehensive risk grade of 4 or lower, the FSS may direct such insurance company to implement management improvements through, among other things, branch closures, restrictions on branch openings, requests for executive management changes and partial suspensions of business. Regardless of the overall comprehensive risk grade of an insurer, the FSS also closely monitors on an ongoing basis any specific risk assessment category of such company that is rated 4 or lower in the prior quarterly or semi-annual RAAS assessment.

Risk-Based Capital Adequacy Requirements

Pursuant to the risk-based capital adequacy requirements implemented by the FSS, insurance companies are required to maintain a statutory ratio of available regulatory capital to risk-weighted assets of not less than 100%. Furthermore, the FSS had previously recommended that insurance companies maintain a risk-based capital adequacy ratio of not less than 150%, and its former administrative guidelines had required insurance companies failing to maintain such recommended 150% ratio to submit a capital increase plan. Although the FSS has since withdrawn such administrative guidelines, we believe that a risk-based capital adequacy ratio of not less than 150% is still considered standard in the Korean insurance industry. Risk-based capital adequacy requirements require insurance companies to hold adequate capital to cover their exposures to interest rate risk, market risk, credit risk and operational risk as well as insurance risk by reflecting such risks in their calculation of risk-weighted assets. For a description of each of these risks, see "*Risk Management*." The statutory risk-based capital adequacy ratio for life insurance companies is computed by dividing available capital by required capital. Available capital of an insurance company is computed as the sum of, among other things, capital stock, reserve for policyholder dividends and bad debt allowance after deducting, among other things, deferred acquisition costs, goodwill, and prepaid expenses. Required capital is computed based on the sum of (i) the square root of the sum of the squares of (w) insurance risk amounts, (x) interest rate risk amounts, (y) credit risk amounts and (z) market risk amounts, and (ii) the operating risk amounts, with each risk amount being calculated in accordance with the detailed criteria set forth under Article 7-2 of the Regulation on Supervision of Insurance Business and Article 5-7-3 and Table 22 under the Enforcement Rules of the Regulation on Supervision of Insurance Business. In addition, the FSS requires the confidence level applied in determining the credit risk amount for calculating the statutory risk-based capital adequacy ratio of insurance companies to be 99% and requires such statutory risk-based capital adequacy ratio to be calculated on a consolidated basis.

In July 2018, the FSC first proposed K-ICS, a new regulatory solvency regime for insurance companies in Korea based on the Insurance Capital Standards developed by the International Association of Insurance Supervisors. The main objective of the Insurance Capital Standards is to enhance global convergence on insurance capital standards, including a common methodology to calculate capital and evaluate solvency positions, to allow comparability of insurance companies globally. Compared to the current methodology to measure risk-based capital, K-ICS would (i) measure insurance contract liabilities based on present market value instead of book value, (ii) consider additional risks, such the risks of longevity, catastrophic mortality events and surrenders, in the calculation of required capital, and (iii) strengthen risk measurement, among other changes. The implementation of K-ICS is expected to result in the general decrease in risk-based capital adequacy ratios of life insurance companies under the expanded scope of risk recognition in the calculation of required capital. Furthermore, life insurance companies with a large portfolio of guaranteed rate of return products, including us, may face additional decrease as the present market value of liabilities are generally greater than the book value of such products under the current low prevailing interest rate environment. Conversely, an increase in the prevailing interest rate would reduce the present market value of such liabilities and increase the risk-based capital adequacy ratio. The K-ICS is currently scheduled to be implemented for annual periods beginning on or after 1 January 2023.

In September 2021, due in part to concerns that the implementation of K-ICS would result in a reduction in risk-based capital adequacy ratio of insurance companies, the FSC discussed certain transitional measures for the gradual implementation of K-ICS to ensure a smooth transition for insurance companies. Among the transitional measures that would be applicable to all insurance companies, the FSC discussed (i) allowing insurance companies to recognize up to 15% of its total required capital with hybrid capital securities issued before the implementation of K-ICS during the transitional period (hybrid capital securities were previously slated to be recognized as supplemental capital, commonly referred to as Tier II capital, upon the implementation of K-ICS) and (ii) increasing the preparatory time for filings required under K-ICS of quarterly reports from two months to three months and of annual reports from three months to four months. In addition, the FSC discussed providing additional transitional measures to insurance companies who apply for them. Under transitional measure on technical provision, also known as TTP, the FSC discussed allowing insurance companies to gradually accumulate liability reserves during the transitional period corresponding to the increase in insurance liabilities due to the implementation of K-ICS. Similarly, under transitional measure on insurance risk, also known as TIR, the FSC discussed allowing insurance companies to gradually recognize the additional risks required for the calculation of required capital under K-ICS during the transition period. In December 2021, the FSS issued a tentative plan to implement K-ICS. The tentative plan proposed additional transitional measures, including the grandfathering of Tier II subordinated securities issued before the implementation of K-ICS to continue to be recognized as Tier II capital under K-ICS until the end of 2032, while reaffirming the FSC's existing proposal to allow the grandfathering 15% of an insurance company's total required capital with hybrid capital securities issued before the implementation of K-ICS. The details of the implementation of K-ICS, including the transitional measures proposed by the FSC and the FSS, as well their timing and duration, have yet to been finalized and may be further amended or supplemented in the future.

Disclosure Requirements

An insurance company is required to disclose the following information within three months of the closing of its books, **provided that**, any material relating to a quarterly period must be disclosed within two months:

- information relating to finances, profits and losses;
- information relating to financing and management of funds;
- information on corporate structure and personnel;
- management indexes relating to stability, profitability and productivity;
- information relating to risk management, including establishment and management of risk management standards under the Corporate Governance Act;
- any decision to modify accounting standards that may have a material effect; and
- any matter that may have a material effect on the company's related parties.

An insurance company is also required to disclose the details relating to any of the following immediately upon such occurrence:

- measures taken under Article 123(2) of the Insurance Business Act, such as the receipt of an order to increase capital or placing limits on holding of risky assets;

- measures taken under Article 131(1) of the Insurance Business Act to protect the interests of existing policyholders and the insured;

- measures taken under Article 134 of the Insurance Business Act due to an insurance company's failure to comply with the laws and regulations applicable to the insurance business;

- measures taken under Article 10 of the Act on the Structural Improvement of the Financial Industry (timely corrective measures taken by the FSC) or Article 14 of the Act on the Structural Improvement of the Financial Industry (administrative disposition by the FSC);

- information relating to insurance products, such as terms of insurance contracts, business operations manuals, insurance premiums, return premiums and schedule of basic rates;

- emergency measures taken against an insurance company by the FSC; and

- in case of non-listed insurance companies, matters which (i) have a material impact on the financial structure, management environment, assets and liabilities or claims and obligations of such company; or (ii) involve investment, shareholding relationship, profit and loss structure and other information which may have a material impact on such company's business management.

Restrictions under the Insurance Business Act Applicable to Affiliates and Subsidiaries

Under the Insurance Business Act, insurance companies are prohibited from engaging directly or indirectly in the following acts with any of its large shareholders (including specially related persons): (i) extending any credit for the purpose of assisting such shareholder in making an equity investment in another company; (ii) transferring any assets to such shareholder without receiving any consideration; or (iii) engaging in dealings or exchanges with, extending credit to, or receiving insurance premiums from or executing reinsurance contracts with, such shareholder on terms that are apparently disadvantageous to the insurance company. In addition, in order for an insurance company to extend credit to, or acquire bonds or shares issued by, any of its large shareholders in an amount exceeding the lesser of 0.1% of such company's equity capital and Won 1 billion, prior approval by a unanimous vote of such company's board of directors is required. When calculating such threshold amount, the amount of the shares issued by a large shareholder that the insurance company acquires through transactions on the KRX KOSPI Market, the KRX KOSDAQ Market or analogous stock market located outside of Korea shall not be taken into consideration. Following the consummation of such transaction, the insurance company is required to immediately report the transaction to the FSC and publicly disclose it, including by publication on the company's website.

Insurance companies are prohibited from transferring to, purchasing from or exchanging with their subsidiaries any assets, or extending credit to their subsidiaries, on terms that apparently differ from the prevailing market standards. Insurance companies also may not extend credit that is secured by any shares owned by their subsidiaries, or extend credit in support of any investment made by their subsidiaries in other companies. Insurance companies are also generally prohibited from extending loans to officers or employees of their subsidiaries.

TAXATION

The following summary is based upon the tax laws of Korea and the United States as in effect on the date of this offering circular, and is subject to any change in the tax laws of Korea or the United States that may come into effect after such date. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the Securities. Investors in the Securities are advised to consult their own tax advisers as to the tax consequences under the tax laws of Korea or the United States or any other consequences of the purchase, ownership and disposition of the Securities, including the effect of any national, state or local tax laws.

Korean Taxation

The following discussion only applies to non-resident individuals and non-Korean corporations ("**Non-Residents**") who do not have a permanent establishment in Korea and for whom the income from the Securities is not effectively connected with a Korean trade or business. Non-Residents that have a permanent establishment in Korea or for whom the income from the Securities is effectively connected with a Korean trade or business should consult their tax advisers with respect to an investment in the Securities.

Tax on Interest

In principle, interest paid to a Non-Resident by a Korean company is subject to withholding of Korean income tax or corporation tax at the rate of 14% plus a local income tax at the rate of 10% (raising the total tax rate to 15.4%) unless reduced or exempted by relevant laws or tax treaties. However, the Special Tax Treatment Control Law of Korea (the "**STTCL**") exempts payments of interest on notes, such as interest paid on the Securities, denominated in a foreign currency (excluding payments to a Korean corporation or resident or a permanent establishment of a Non-Resident) from Korean income or corporation tax, **provided that** the offering of the Securities is deemed to be an overseas issuance under the STTCL.

Tax rates may be reduced or exempted by applicable tax treaties, conventions or agreements between Korea and the country of the recipient of the interest. The relevant tax treaties are summarized below.

Tax upon Redemption due to Gross-Up Event

It is not entirely clear under the Korean tax law whether the payment of additional amounts by the Issuer in excess of the principal amount and any accrued but unpaid interest on such principal amount upon redemption of the Securities in case of a Gross-Up Event will be treated as interest, capital gains or possibly other income. Based on previous rulings from the Korean tax authorities, however, it is likely that such excess portion will be treated as interest, in which case the above discussion on tax on interest would be applicable. Please refer to "— *Tax on Capital Gains*" below for the tax consequences in case such excess portion will be classified as capital gains. If treated as other income, the excess portion will be subject to Korean withholding tax at the rate of 22% (including local income tax) unless exempt under an applicable Korean tax treaty. In the event such excess portion is subject to Korean withholding tax, the Issuer is obliged to pay additional amounts to ensure that, after the deduction or withholding of such withholding tax, the amount that would otherwise have been received by the holder of the Securities in respect of the relevant payment in the absence of such deduction or withholding of such withholding tax is received by the holder of the Securities, subject to certain exceptions as set out in Condition 7 of the Terms and Conditions of the Securities.

Tax on Capital Gains

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 Securities to other Non-Residents (unless the sale is to the Non-Resident's permanent establishment in Korea). In addition, capital gains earned by Non-Residents from the transfer of the Securities taking place outside of Korea are currently exempt from taxation by virtue of the STTCL, **provided that** the issuance of the Securities is deemed to be an overseas issuance and the Securities are foreign currency denominated under the STTCL.

Where a Non-Resident sells Securities in Korea or to the permanent establishment in Korea of a Non-Resident, in the absence of an applicable treaty or any other special tax laws reducing or eliminating capital gains tax, the applicable rate of tax is the lower of 11% (including local income tax) of the gross realization proceeds (the "**Gross Realization Proceeds**") or, subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the Securities, 22% (including local income tax) of the gain made. The gain is calculated as the Gross Realization Proceeds less the acquisition cost and certain direct transaction costs related to the acquisition and transfer. Unless the seller can claim the benefit of an exemption of tax under an applicable treaty and in the absence of the seller producing satisfactory evidence of its acquisition cost and certain direct transaction costs related to the acquisition and transfer in relation to the Securities being sold, the purchaser or any other designated withholding agents of the Securities, as applicable, must withhold an amount equal to 11% (including local income tax) of the Gross Realization Proceeds.

Any withheld tax must be paid no later than the tenth day of the month following the month in which the payment for the purchase of the Securities occurred. Failure to timely transmit the withheld tax to the Korean tax authorities technically subjects the purchaser or the withholding agent to penalties under Korean tax law.

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 domiciled in Korea or resided in Korea for at least 183 days immediately prior to the death and (b) all property located in Korea which passes on death (irrespective of the domicile 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 the tax rates vary from 10% to 50% according to the value of the relevant property and the identity of the persons involved.

Under Korean inheritance and gift tax laws, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned.

At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the holders of the Securities in connection with the issue or transfer of the Securities as long as the relevant documents are executed outside of Korea. No securities transaction tax will be imposed on the transfer of the Securities.

Tax Treaties

As of the date of this offering circular, Korea has tax treaties with over 90 countries including, *inter alia*, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, the People's Republic of China, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America under which the rate of withholding tax on interest is reduced, generally to between approximately 5% and 16.5% (including local income tax), and the tax on capital gains is often eliminated. Under the United States-Republic of Korea Income Tax Convention, the rate of withholding tax on interest may not exceed 13.2% and capital gains generally may not be subject to tax. Each holder of the Securities should consult his or her own tax advisers as to whether he or she is entitled to the benefit of a tax treaty with Korea with respect to any transaction involving the Securities.

In order to claim the benefit of a tax rate reduction or tax exemption available under the applicable tax treaties, a Non-Resident holder should submit to the payer of the relevant 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 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 not the beneficial owner of such income) ("**OIV**"), 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 to the withholding agent prior to the payment date of such income. In the case of a tax exemption application, 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. Effective from 1 January 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. According to the proposal for amending Korean tax laws released on 26 July 2021, effective from 1 January 2022, an OIV is deemed to be a beneficial owner of the Korean source income if (i) under the applicable tax treaty, the OIV is a resident of the country in which it is established or the OIV is deemed to be the owner of the Korean source income; and (ii) the Korean source income is eligible for the treaty benefits under the tax treaty. 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 or Individual Income Tax Law. However, this requirement does not apply to exemptions under Korean tax law.

Proposed Financial Transaction Tax ("FTT")

The European Commission has published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a broad scope and could, if introduced in its current form, apply to certain dealings in the Securities in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. However, the FTT proposal remains subject to negotiation between the participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

Certain United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations associated with the purchase, ownership and disposition of the Securities. This discussion is limited to considerations relevant to a U.S. holder (as defined below), except for the discussion of FATCA (as defined below). This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Securities. In particular, the summary deals only with Securityholders that will acquire Securities as part of the initial offering at their "issue price" (i.e., the first price at which a substantial amount of the Securities are sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and will hold the Securities as capital assets. It does not address the tax treatment of Securityholders that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, tax-exempt entities, financial institutions, traders in securities that elect to use the mark-to-market method of accounting for their securities, partnerships that hold the Securities or partners therein, persons whose functional currency is not the U.S. dollar, persons that hedge their exposure in the Securities or will hold the Securities as a position in a "straddle" or "conversion" transaction or as part of a "synthetic security" or other integrated financial transaction, or persons subject to special tax accounting rules as a result of any item of gross income with respect to the Securities being taken into account in an applicable financial statement. Moreover, this discussion does not address state, local, or foreign taxes, any tax consequences relating to the alternative minimum tax or the Medicare tax on investment income or any tax consequences other than U.S. federal income tax consequences (such as the estate or gift tax).

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations issued under the Code, in each case as of the date hereof, changes to any of which subsequent to the date of this offering circular may affect the tax consequences described herein, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Securities or that any such position would not be sustained.

For purposes of the following summary, a "**U.S. holder**" is a beneficial owner of the Securities that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more United States persons (as defined in the Code) have the authority to control all of the substantial decisions of such trust.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Securities, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. An entity or an arrangement treated as a partnership considering an investment in the Securities should consult its own tax advisers about the U.S. federal income tax consequences of an investment in the Securities.

Prospective purchasers of the Securities should consult their own tax advisers with respect to the U.S. federal, state, local and non-U.S. tax consequences to them in their particular circumstances of purchasing, owning and disposing of the Securities.

Payments of Stated Interest

Payments of stated interest on the Securities (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

Original Issue Discount

The Securities may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. Securities will be treated as issued with OID if the stated principal amount of such Securities exceeds its issue price (as defined above) by an amount equal to or greater than a statutorily defined de minimis amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date).

Based on their expected pricing terms, the Securities are not expected to be treated as issued with OID for U.S. federal income tax purposes.

Foreign Tax Credit

Stated interest on a Security generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at-risk rules). There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisers regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Securities

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Security, a U.S. holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Security. A U.S. holder's adjusted tax basis in a Security will, in general, be the cost of such Security to such U.S. holder, reduced by any payments (other than payments of stated interest) made on such Security.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Security generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest on the Securities and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Security paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Tax Return Disclosure Requirements

U.S. holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Securities generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Securities are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. holders are urged to consult their tax advisers regarding the application of the foregoing disclosure requirements to their ownership of the Securities, including the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**") and subject to the proposed regulations discussed below, a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" (a term not yet defined) made after 31 December 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Under proposed regulations, any withholding on "foreign passthru payments" on Securities that are not otherwise "grandfathered" (as described below) would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining "foreign passthru payments." Taxpayers generally may rely on these proposed regulations until final regulations are issued. Obligations issued on or prior to the date that is six months after applicable final regulations defining foreign passthru payments are published in the Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could apply to payments on the Securities only if there is a significant modification of the Securities for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisers on how these rules may apply to their investment in the Securities. In the event any withholding under FATCA is imposed with respect to any payments on the Securities, there will be no additional amounts payable to compensate for the withheld amount.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated as of 24 January 2022 (the "**Purchase Agreement**") by and among us and J.P. Morgan Securities plc, Citigroup Global Markets Inc., Merrill Lynch International, LLC Seoul Branch, Standard Chartered Bank and Hanwha Investment & Securities Co., Ltd. (collectively, the "**Initial Purchasers**"), the Initial Purchasers have agreed to purchase from us, and we have agreed to sell to the Initial Purchasers, the aggregate principal amount of the Securities indicated in the following table:

Initial Purchasers	Principal Amount
J.P. Morgan Securities plc	US$187,500,000
Citigroup Global Markets Inc.	187,500,000
Merrill Lynch International, LLC Seoul Branch	187,500,000
Standard Chartered Bank	187,500,000
Hanwha Investment & Securities Co., Ltd.	—
Total	US$750,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to take and pay for the Securities is subject to the approval of certain legal matters by its counsel and certain other conditions. The Initial Purchasers have agreed to take and pay for all of the Securities if any are taken. The Initial Purchasers propose to offer the Securities initially at the price indicated on the cover page of this offering circular. After the offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers. The Initial Purchasers may offer and sell the Securities through certain of its affiliates and may provide to such affiliates an opportunity to purchase some of the Securities in the initial offering.

The Securities are a new issue of securities with no established trading market. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Securities on the SGX-ST. We have been advised that the Initial Purchasers presently intend to make a market in the Securities, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Securities, and any such market-making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Securities.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Initial Purchaser or its affiliate on our behalf in such jurisdiction.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Securities in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Securities originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

The Initial Purchasers and certain of their respective affiliates have in the past performed and may in the future perform certain investment banking, commercial/corporate banking and advisory services for us and/or our affiliates from time to time for which they have received or will receive customary fees and expenses and may, from time to time, engage in transactions with and perform banking and advisory services for us and/or our affiliates in the ordinary course of business. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Securities. One of the Initial Purchasers, Hanwha Investment & Securities Co., Ltd., is our subsidiary and a member of the Hanwha Group.

We have agreed to provide to the Initial Purchasers certain customary fees or discounts for their services in connection with the offering of the Securities and to reimburse the Initial Purchasers for certain out-of-pocket expenses.

Persons who purchase Securities from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page of this offering circular.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any non-Won denominated debt securities outside Korea of our company or our subsidiaries during the period from the date of the Purchase Agreement through and including the date 90 days after the date of the Purchase Agreement, without the prior written consent of the Initial Purchasers.

The Initial Purchasers or certain of their respective affiliates may purchase the Securities and be allocated Securities for asset management and/or proprietary purposes and not with a view to distribution.

The Initial Purchasers or their respective affiliates may purchase the Securities and/or other securities of our company for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Securities and/or other securities of our company or our subsidiaries or associates at the same time as the offer and sale of the Securities 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 the Securities to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Securities).

We expect that delivery of the Securities will be made against payment therefor on or about the closing date specified on the cover page of this offering circular, which will be on or about the business day following the pricing date of the Securities (this settlement cycle is referred to as "T+9"). Under Rule 15c6-l of the Exchange Act, U.S. purchasers are generally required to settle trades in the secondary market in two business days, unless they and the other parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Securities on any day prior to the second business day before the settlement date will be required, by virtue of the fact that the Securities initially will settle in T+9, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers in other countries should consult with their own advisers.

Selling Restrictions

United States of America

The Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Securities are being offered and sold outside of the United States in reliance on Regulation S. The Purchase Agreement provides that the Initial Purchasers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Securities 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, an offer or sale of Securities within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

European Economic Area

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(b) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Initial Purchaser has represented, warranted and undertaken to us and each other Initial Purchaser that:

(a) Financial promotion: it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Hong Kong

Each Initial Purchaser has represented and agreed that:

(a) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), by means of any document, any Securities other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) 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 or which do not constitute an offer to the public within the meaning of that Ordinance; 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 Securities, 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 the Securities 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.

Singapore

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, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, 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 Securities 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 Securities pursuant to an offer made under Section 275 of the SFA except:

(1) 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;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) 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 SFA — the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are 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).

Korea

Each Initial Purchaser severally but not jointly has represented and agreed that the Securities have not been and will not be registered with the FSC under the FSCMA. Accordingly, each Initial

Purchaser severally but not jointly has represented and agreed that the Securities have not been and will 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 in the Foreign Exchange Transactions Law of Korea and the regulations thereunder) or to others for re-offering, resale or re-delivery, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations. In addition, each Initial Purchaser severally but not jointly has represented and agreed that within one year following the issuance of the Securities, the Securities may not be transferred to any resident of Korea other than a qualified institutional buyer (or a "**QIB**", as defined in the Regulation on Issuance, Public Disclosure, Etc. of Securities of Korea) registered with the Korea Financial Investment Association as a QIB, provided that (a) the Securities are denominated, and the principal and interest payments thereunder are made, in a currency other than Korean Won, (b) the amount of the Securities acquired by such QIBs in the primary market is limited to less than 20% of the aggregate issue amount of the Securities, (c) the Securities are listed on one of the major overseas securities markets designated by the FSS, or certain procedures, such as registration or report with a foreign financial investment regulator, have been completed for offering of the Securities in a major overseas securities market, (d) the one-year restriction on offering, delivering or selling of Securities to a Korean resident other than a QIB is expressly stated in the Securities, the relevant underwriting agreement, subscription agreement, and the offering circular and (e) the Issuer and the Initial Purchasers shall individually or collectively keep the evidence of fulfilment of conditions (a) through (d) above after having taken necessary actions therefor.

Each Initial Purchaser severally but not jointly has undertaken to ensure that any securities dealer to which it sells Securities confirms that it is purchasing such Securities as principal and agrees with such Initial Purchaser that it will comply with the restrictions described above.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Securities offered pursuant to this offering circular.

Korea

A registration statement for the offering and sale of the Securities has not been filed under the FSCMA. Each purchaser of the Securities hereunder will be deemed to have represented and agreed as follows:

(1) the Securities have not been registered with the FSC under the FSCMA. Accordingly, the Securities have not been and will 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 in the Foreign Exchange Transaction Law of Korea and the regulations thereunder) or to others for re-offering, resale or re-delivery, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea except as otherwise permitted by applicable Korean laws and regulations. In addition, until the expiration of one year after the issuance of the Securities, the Securities may not be transferred to any resident of Korea who is not a qualified institutional buyer as defined in Article 2-2, Paragraph 2, Item 4 of the Regulation on Issuance, Public Disclosure, Etc. of Securities of Korea promulgated by the Financial Services Commission.

(2) it understands that the Securities will, unless otherwise agreed by us, bear a legend substantially to the following effect:

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. THE SECURITIES HAVE NOT BEEN OFFERED, SOLD OR DELIVERED AND WILL 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 IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF KOREA AND THE REGULATIONS THEREUNDER), OR TO ANY OTHER PERSON FOR REOFFERING, RESALE OR RE-DELIVERY, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA, EXCEPT AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAWS AND REGULATIONS.

IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE SECURITIES, THE SECURITIES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL BUYER (OR A “QIB”, AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A QIB, PROVIDED THAT (A) THE SECURITIES ARE DENOMINATED, AND THE PRINCIPAL AND INTEREST PAYMENTS THEREUNDER ARE MADE, IN A CURRENCY OTHER THAN KOREAN WON, (B) THE AMOUNT OF THE SECURITIES ACQUIRED BY SUCH QIBS IN THE PRIMARY MARKET IS LIMITED TO LESS THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE SECURITIES, (C) THE SECURITIES 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 SECURITIES IN A MAJOR OVERSEAS SECURITIES MARKET, (D) THE ONE-YEAR RESTRICTION ON OFFERING, DELIVERING OR SELLING OF SECURITIES TO A KOREAN RESIDENT OTHER THAN A QIB IS EXPRESSLY STATED IN THE SECURITIES, THE RELEVANT UNDERWRITING AGREEMENT, SUBSCRIPTION AGREEMENT, AND THE OFFERING CIRCULAR AND (E) THE ISSUER AND THE INITIAL PURCHASERS SHALL INDIVIDUALLY OR COLLECTIVELY KEEP THE EVIDENCE OF FULFILMENT OF CONDITIONS (A) THROUGH (D) ABOVE AFTER HAVING TAKEN NECESSARY ACTIONS THEREFOR.

United States

The Securities have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or the securities laws of any other jurisdiction. The Securities may not be offered or sold within the United States, except in reliance on Rule 144A to QIBs. The Securities may also be offered and sold outside the United States in “offshore transactions” (as defined in Regulation S) in reliance on Regulation S.

Each purchaser of the Securities hereunder will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulations S under the Securities Act are used in this offering circular as defined in the Securities Act):

(1) it is purchasing the Securities for its own account or an account with respect to which it exercises sole investment discretion, and it and any such account (i) is a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (ii) is purchasing the Securities in an offshore transaction pursuant to Regulation S;

(2) it acknowledges that the Securities have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States except as set forth below;

(3) it understands and agrees that if in the future it decides to sell, pledge or otherwise transfer any Securities or any beneficial interest in any Securities, such Securities may be offered, resold, pledged or transferred only (A)(i) to us, (ii) to a person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S under the Securities Act, (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available) or (v) pursuant to another exemption from the Securities Act, provided that, as a condition to the registration of the transfer thereof, the Registrar or we may require the delivery of any documents, including an opinion of counsel that it, in its sole discretion, may deem necessary or appropriate to evidence compliance with such exemption, or (B) pursuant to an effective registration statement under the Securities Act, and, in each of such cases in accordance with any applicable securities laws of any state of the United States;

(4) it agrees to, and each subsequent holder is required to, notify any purchaser of the Securities from it of the resale restrictions referred to in clause (3)(A) above, if then applicable;

(5) it understands and agrees that Securities initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Certificates and that Securities initially offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Certificates;

(6) it understands that the Rule 144A Global Certificate(s) will, until the expiration of the applicable holding period with respect to the Securities set forth in Rule 144(d) of the Securities Act, unless otherwise agreed by us, bear a legend substantially to the following effect:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF HANWHA LIFE INSURANCE CO., LTD. (THE "ISSUER") THAT PRIOR TO THE DATE THAT IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY, THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(i) TO ISSUER, (ii) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (iii) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (iv) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (v) PURSUANT TO ANOTHER EXEMPTION FROM THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE ISSUER OR THE REGISTRAR MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION, OR (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND, IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER AGREES TO, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE, IF THEN APPLICABLE."

(7) it understands that, unless otherwise agreed by us, the Regulation S Global Certificate(s) will bear a legend substantially to the following effect:

"THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT."

(8) it acknowledges that prior to any proposed transfer of any Securities in certificated form or of beneficial interests in the Global Certificates (other than pursuant to an

effective registration statement), the holder of the Securities or the holder of beneficial interests in the Global Certificates, as the case may be, may be required to provide certificates and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Securities and the Agency Agreement; and

(9) it acknowledges that we, the Initial Purchasers, the Fiscal Agent and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of such acknowledgments, representations or warranties deemed to have been made by virtue of its purchase of the Securities is no longer accurate, it shall promptly notify us; and if it is acquiring any Securities 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 acknowledgments, representations and agreement on behalf of each such account.

Each purchaser and subsequent transferee acknowledges and agrees that they will be deemed by such purchase or holding of the Securities (or any beneficial interest therein) that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Securities or any beneficial interest therein constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), plan, individual retirement account or other arrangement subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code") or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "Similar Laws") or any entity whose underlying assets are considered to include "plan assets" of any such employee benefit plan, plan, account or arrangement or (ii) the purchase and holding of the Securities or any beneficial interest therein by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Laws.

LEGAL MATTERS

Certain legal matters relating to the Offering will be passed upon for us by Greenberg Traurig, LLP, our special U.S. and English counsel, and Shin & Kim LLC, our special Korean counsel, and for the Initial Purchasers by Latham & Watkins, LLP, their special U.S. and English counsel. Greenberg Traurig, LLP and Latham & Watkins, LLP may rely as to all matters of Korean law on the opinion of Shin & Kim LLC. Shin & Kim LLC may rely as to all matters of U.S. and English law on the opinion of Greenberg Traurig, LLP.

INDEPENDENT ACCOUNTANTS

Our annual consolidated financial statements as of and for the years ended 31 December 2020 and 2019 included in this offering circular have been audited by Samil PricewaterhouseCoopers, independent accountants, as stated in their report (which contains an emphasis of matter paragraph that describes uncertainty relating to the impact of COVID-19 pandemic) appearing herein. Our annual consolidated financial statements as of and for the years ended 31 December 2019 and 2018 included in this offering circular have been audited by Samil PricewaterhouseCoopers, independent accountants, as stated in their report appearing herein.

With respect to our unaudited consolidated interim financial statements as at 30 September 2021 and for the three and nine months ended 30 September 2021 and 2020 included in this offering circular, Samil PricewaterhouseCoopers reported that they have applied limited procedures in accordance with professional standards for a review of such information. In addition, its separate report dated 15 November 2021 (which contains an emphasis of matter paragraph that describes uncertainty relating to the impact of COVID-19 pandemic) appearing herein states that they did not audit and they do not express an opinion on such interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with sales of the Securities, we will be required to furnish, upon request of a holder of Securities, to such holder of Securities and any prospective investor designated by such holder of Securities, the information required to be delivered under Rule 144A(d)(4) under the Securities Act unless at the time of the request we are a reporting company under Section 13 or Section 15(d) of the Exchange Act, or included in the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act (and therefore are required to publish on our website, in English, certain information pursuant to Rule 12g3-2(b) under the Exchange Act). Any such request should be directed to Hanwha Life Insurance Co., Ltd., Attention: Donghee Kim, Finance Team Part Leader (telephone: +82-02-789-8407; e-mail: kdonghee@hanwha.com).

You should rely only upon the information provided in this offering circular. We have not authorized anyone to provide you with different information. You should not assume that the information in this offering circular is accurate as of any date other than the date of this offering circular.

ENFORCEMENT OF CIVIL LIABILITIES

We are a corporation with limited liability organized under the laws of Korea. Most of our directors, executive officers and certain other persons named in this offering circular are non-U.S. residents, and all or a significant portion of the assets of our directors, executive officers and certain other persons named in this offering circular and most of our assets are located or registered outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them or against us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. It is uncertain whether liabilities predicated solely on U.S. federal securities laws are enforceable in original actions or in actions for enforcement of judgment in Korean courts.

INDEX TO FINANCIAL STATEMENTS

Interim Consolidated Financial Statements of the Issuer

Annual Consolidated Financial Statements of the Issuer

Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Hanwha Life Insurance Co., Ltd.

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim financial statements of Hanwha Life Insurance Co., Ltd. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as at September 30, 2021, and the related consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2021 and 2020, and consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2021 and 2020, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 3 to the consolidated financial statements of the Group, which describes significant accounting estimates and assumptions can be adjusted according to the changes in uncertainty due to Coronavirus disease 2019 (“COVID-19”).

Other Matters

We have audited the consolidated statement of financial position of the Group as at December 31, 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 5, 2021. The consolidated statement of financial position as at December 31, 2020, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2020.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

/s/ Samil PricewaterhouseCoopers
Seoul, Korea
November 15, 2021

This report is effective as of November 15, 2021, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Hanwha Life Insurance Co., Ltd.
Consolidated Interim Statements of Financial Position
As of September 30, 2021 and December 31, 2020

(in millions of Korean won)	**Notes**		**September 30, 2021 (Unaudited)**		**December 31, 2020**
Assets					
Cash and cash equivalents	5,6,7	₩	1,302,517	₩	1,051,931
Deposits	5,6,7		1,109,842		506,330
Financial assets at fair value through profit or loss	5,6,8		15,248,053		8,550,368
Available-for-sale financial assets	5,6,8		74,997,195		72,051,185
Investments in associates and joint ventures	10		363,074		257,086
Loans	5,6,11		31,103,146		29,596,267
Property and equipment	13,14		1,948,708		1,901,702
Investment property	13,14		2,431,582		2,550,620
Intangible assets	14		1,159,989		1,133,974
Right-of-use assets	14,15		154,247		80,950
Derivative assets	5,6,12		180,731		1,050,529
Net defined benefit assets	23		1,029		4,714
Current tax assets			11,253		145,445
Deferred tax assets			79,719		9,178
Other financial assets	5,6,16		2,470,650		1,536,070
Other assets	17		3,085,351		3,026,293
Separate account assets	22		25,974,043		25,322,141
Total assets		₩	161,621,126	₩	148,774,784
Liabilities and Equity					
Liabilities					
Insurance contract liabilities	18	₩	107,116,032	₩	103,899,221
Policyholders' equity adjustment	19		466,946		1,208,302
Financial liabilities at fair value through profit or loss	20		1,450,624		-
Borrowings and debentures	21		7,191,255		552,557
Current tax liabilities			87,095		4,493
Deferred tax liabilities			583,655		1,016,190
Derivative liabilities	5,6,12		1,185,173		184,680
Net defined benefit liabilities	23		297,171		167,036
Provisions	24		76,032		76,211
Other financial liabilities	5,6,15,25		3,896,003		1,910,771
Other liabilities	26		240,629		203,645
Separate account liabilities	22		25,701,068		25,607,557
Total liabilities			148,291,684		134,830,661
Equity					
Equity attributable to owners of the Parent Company					
Share capital	27		4,342,650		4,342,650
Additional paid-in capital	27		(453,039)		(454,117)
Hybrid capital instruments	28		2,056,344		2,056,344
Other components of equity	29		537,418		2,680,982
Retained earnings	30		4,765,241		4,040,570
Non-controlling interests			2,080,828		1,277,694
Total equity			13,329,442		13,944,123
Total liabilities and equity			161,621,126	₩	148,774,784

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

Hanwha Life Insurance Co., Ltd.
Consolidated Interim Statements of Comprehensive Income
Three-Month and Nine-Month Periods Ended September 30, 2021 and 2020

(in millions of Korean won, except per share amount)		Period Ended September 30			
		2021 (Unaudited)		2020 (Unaudited)	
	Notes	Three months	Nine months	Three months	Nine months
Operating revenues					
Insurance premium income	32	4,406,717	12,285,514	4,088,596	12,190,870
Reinsurance income	33	323,609	973,035	221,547	936,144
Interest income	31,41	771,760	2,214,880	819,787	2,311,642
Gain on compensation receivables		-	-	(188)	293
Gain on valuation and disposal of financial assets at fair value through profit or loss	31	101,192	326,837	64,578	135,468
Gain on valuation and disposal of available-for-sale financial assets	31	226,982	664,735	198,188	847,532
Gain on foreign currency transactions	31	1,018,092	1,998,822	(359,568)	1,012,425
Gain on valuation and disposal of derivatives	12,31	196,837	389,883	127,654	423,873
Other income	34	197,280	706,509	224,525	601,991
Fees from separate accounts		223,485	723,722	229,860	736,968
Separate account revenue	22	50,900	138,758	35,810	133,874
		7,516,854	20,422,694	5,650,789	19,331,079
Operating expenses					
Change in reserves for insurance contracts	18	1,498,183	3,140,428	1,162,539	3,448,343
Insurance claims paid	35,42	3,128,863	9,558,109	2,984,902	9,214,418
Reinsurance expenses	33	375,222	1,111,680	255,569	1,002,984
Business expenses	36,42	369,550	1,455,404	489,057	1,504,203
Amortization of deferred policy acquisition costs	17	300,894	921,392	308,389	929,445
Property administration expenses	37,42	29,557	104,705	23,400	95,000
Claim handling expenses	38	31,705	90,753	31,224	87,666
Loss on compensation receivables		129	1,376	-	-
Loss on valuation and disposal of financial assets at fair value through profit or loss	31	69,962	117,780	(29,518)	82,816
Loss on valuation and disposal of available-for-sale financial assets	31	45,526	74,244	122,730	320,774
Loss on valuation and disposal of loans and other receivables	31	9,790	21,670	9,068	75,013
Loss on foreign currency transactions	31	38,202	86,417	55,183	244,707
Loss on valuation and disposal of derivatives	12,31	1,113,253	2,211,544	(196,509)	1,325,151
Other expenses	39	198,790	438,064	180,219	395,985
Fees for separate accounts		6,068	22,632	11,820	41,033
Separate account expenses	22	50,900	138,758	35,810	133,874
		7,266,595	19,494,957	5,443,883	18,901,412
Operating profit		₩ 250,259	₩ 927,737	₩ 206,907	₩ 429,667

Hanwha Life Insurance Co., Ltd.
Consolidated Interim Statements of Comprehensive Income
Three-Month and Nine-Month Periods Ended September 30, 2021 and 2020

(in millions of Korean won, except per share amount)	Notes	Period Ended September 30 2021 (Unaudited) Three months	2021 (Unaudited) Nine months	2020 (Unaudited) Three months	2020 (Unaudited) Nine months
Non-operating revenues	40	₩ 329,449	₩ 355,560	₩ 11,807	₩ 24,944
Non-operating expenses	40	5,532	19,736	12,845	30,584
Profit before income tax		574,176	1,263,562	205,869	424,027
Income tax expense	41	195,243	382,977	56,989	112,420
Profit for the period		378,932	880,585	148,880	311,606
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss					
Gain on revaluation of property and equipment		(628)	3,924	461	2,481
Remeasurements of net defined benefit liabilities		-	9,530	-	(94)
Items that may be subsequently reclassified to profit or loss					
Changes in the fair value of available-for-sale financial assets		(399,780)	(2,167,266)	181,311	1,057,177
Share of other comprehensive income of associates		1,464	4,606	178	2,829
Changes in the fair value of derivatives instruments for hedge accounting		(25,644)	(102,167)	(18,998)	(41,523)
Other comprehensive income of separate accounts		(25,233)	(85,331)	7,849	33,223
Currency translation differences		35,561	51,344	(18,504)	(2,328)
Other comprehensive income for the period, net of tax		(414,258)	(2,285,360)	152,298	1,051,765
Total comprehensive income for the period		₩ (35,326)	₩ (1,404,775)	₩ 301,178	₩ 1,363,371
Profit is attributable to:					
Owners of the Parent Company		₩ 342,888	₩ 814,323	₩ 125,444	₩ 283,945
Non-controlling interests		36,044	66,262	23,436	27,661
Total comprehensive income for the period is attributable to:					
Owners of the Parent Company		₩ (84,805)	₩ (1,324,561)	₩ 264,165	₩ 1,261,520
Non-controlling interests		49,479	(80,215)	37,013	101,851
Earnings per share (in Korean won)					
Basic and diluted earnings per share		₩ 422	₩ 986	₩ 135	₩ 279

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

Hanwha Life Insurance Co., Ltd.
Consolidated Interim Statements of Changes in Equity
Nine-Month Periods Ended September 30, 2021 and 2020

(in millions of Korean won)	Share Capital	Additional Paid-in Capital	Hybrid Capital Instrument	Other Components of Equity	Retained Earnings	Total Equity	Non-Controlling Interest	Total Equity
Balance at January 1, 2020	₩ 4,342,650	₩ (457,887)	₩ 2,056,297	₩ 2,820,597	₩ 3,924,201	₩ 12,685,859	₩ 1,307,416	₩ 13,993,275
Comprehensive income								
Profit for the period	-	-	-		283,945	283,945	27,661	311,606
Transfer of revaluation surplus	-	-	-	(6)	6	-	-	-
Gain on revaluation of property and equipment	-	-	-	2,481	-	2,481	-	2,481
Remeasurements of net defined benefit liabilities	-	-	-	(94)	-	(94)	-	(94)
Changes in the fair value of available-for-sale financial assets	-	-	-	984,830	-	984,830	72,347	1,057,177
Share of other comprehensive income of associates	-	-	-	3,384	-	3,384	(554)	2,829
Changes in the fair value of derivatives instruments for hedge accounting	-	-	-	(43,957)	-	(43,957)	2,434	(41,523)
Other comprehensive income of separate accounts	-	-	-	33,229	-	33,229	(6)	33,223
Currency translation differences	-	-	-	(2,297)	-	(2,297)	(31)	(2,328)
Transactions with shareholders								
Dividends paid	-	-	-	-	(22,542)	(22,542)	-	(22,542)
Issuance of hybrid capital instruments	-	-	47	-	-	47	-	47
Dividends paid to holders of hybrid capital instruments	-	-	-	-	(73,960)	(73,960)	(8,353)	(82,314)
Share-based payment	-	560	-	-	-	560	-	560
Balance at September 30, 2020 (Unaudited)	₩ 4,342,650	₩ (457,327)	₩ 2,056,344	₩ 3,798,167	₩ 4,111,650	₩ 13,851,484	₩ 1,400,914	₩ 15,925,398

Hanwha Life Insurance Co., Ltd.
Consolidated Interim Statements of Changes in Equity
Nine-Month Periods Ended September 30, 2021 and 2020

(in millions of Korean won)	Share Capital	Additional Paid-in Capital	Hybrid Capital Instrument	Other Components of Equity	Retained Earnings	Total Equity	Non-Controlling Interest	Total Equity
Balance at January 1, 2021	₩ 4,342,650	₩ (454,117)	₩ 2,056,344	₩ 2,680,982	₩ 4,040,570	₩ 12,666,429	₩ 1,277,694	₩ 13,944,123
Comprehensive income								
Profit for the period	-	-	-	-	814,323	814,323	66,262	880,585
Transfer of revaluation surplus	-	-	-	(4,682)	4,682	-	-	-
Gain on revaluation of property and equipment	-	-	-	3,924	-	3,924	-	3,924
Remeasurements of net defined benefit liabilities	-	-	-	9,530	-	9,530	-	9,530
Changes in the fair value of available-for-sale financial assets	-	-	-	(2,024,930)	-	(2,024,930)	(142,337)	(2,167,266)
Share of other comprehensive income of associates	-	-	-	5,156	-	5,156	(551)	4,606
Changes in the fair value of derivatives instruments for hedge accounting	-	-	-	(96,863)	-	(96,863)	(5,304)	(102,167)
Other comprehensive income of separate accounts	-	-	-	(85,311)	-	(85,311)	(20)	(85,331)
Currency translation differences	-	-	-	49,609	-	49,609	1,735	51,344
Transactions with shareholders								
Dividends paid	-	-	-	-	(22,542)	(22,542)	-	(22,542)
Dividends paid to holders of hybrid capital instruments	-	-	-	-	(71,792)	(71,792)	(9,240)	(81,032)
Share-based payment	-	2,276	-	-	-	2,276	718	2,995
Changes in non-controlling interest	-	(1,199)	-	3	-	(1,196)	891,870	890,674
Balance at September 30, 2021 (Unaudited)	₩ 4,342,650	₩ (453,039)	₩ 2,056,344	₩ 537,418	₩ 4,765,241	₩ 11,248,614	₩ 2,080,828	₩ 13,329,442

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

Hanwha Life Insurance Co., Ltd.
Consolidated Interim Statements of Cash Flows
Nine-Month Periods Ended September 30, 2021 and 2020

(in millions of Korean won)	Notes	2021 (Unaudited)	2020 (Unaudited)
Cash flows from operating activities			
Profit for the period		880,585	311,606
Adjustments	44	1,127,902	1,986,778
Changes in operating assets and liabilities	44	(712,982)	(3,411,741)
Interest received		2,203,750	2,237,930
Interest paid		(35,167)	(19,479)
Dividends received		445,500	369,998
Income taxes refund		13,883	24,403
Net cash inflow from operating activities		3,923,472	1,499,496
Cash flows from investing activities			
Disposal of available-for-sale financial assets		6,989,928	11,998,361
Disposal of property and equipment and investment property		102,766	4,049
Disposal of intangible assets		5,617	8,325
Disposal of investments in associates		129,598	6,057
Dividends from investments in associates		6,510	7,048
Decrease in financial lease receivables		47	-
Decrease in guarantee deposits provided		13,038	21,835
Increase in other financial liabilities		905	-
Acquisition of available-for-sale financial assets		(11,049,042)	(12,403,254)
Settlement of derivative instruments for hedge accounting		10,609	(767,746)
Acquisition of property and equipment and investment property		(51,887)	(48,442)
Acquisition of investments in associates		(36,940)	(26,616)
Acquisition of intangible assets		(66,842)	(68,644)
Increase in guarantee deposits provided		(6,533)	(7,952)
Increase in advance payments		(13,466)	-
Cash flows from changes in scope of consolidation		(118,704)	(19,807)
Net cash outflow from investing activities		(4,084,396)	(1,296,785)
Cash flows from financing activities			
Increase in non-controlling interest		39,240	-
Decrease in non-controlling interest		(9,753)	(8,353)
Increase in leasehold deposit received		8,289	11,174
Decrease in leasehold deposit received		(13,625)	(8,099)
Issuance of hybrid capital instruments		-	47
Dividends paid to holders of hybrid capital instruments		(52,666)	(64,568)
Dividends paid		(22,542)	(22,542)
Decrease in borrowings		(147,891)	(53,354)
Increase in borrowings		497,814	52,759
Changes in other financial liabilities		50,946	66,361
Decrease in lease liabilities		(44,760)	(39,798)
Net increase in bonds sold under repurchase agreements		99,816	-
Net cash inflow(outflow) from financing activities		404,868	(66,373)
Net increase in cash and cash equivalents		243,943	136,337
Cash and cash equivalents at the beginning of the period		1,051,931	950,704
Effects of exchange rate changes on cash and cash equivalents		6,642	(3,151)
Cash and cash equivalents at the end of the period		1,302,517	1,083,891

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

1. General Information

Hanwha Life Insurance Co., Ltd. (the “Company” or the “Parent Company”), and its subsidiaries (collectively referred to as the “Group”), have prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

The Parent Company was incorporated on September 9, 1946, under the laws of the Republic of Korea. The Parent Company was established as the country’s first life insurance company and currently has four regional offices and 34 branch offices for personal insurance and related reinsurance contracts as the main business purpose. The Parent Company was listed on the Korea Exchange in March 2010.

The Parent Company resolved to change its name at the general meeting of shareholders on June 29, 2012, and changed the name to Hanwha Life Insurance Co., Ltd. from Korea Life Insurance Co., Ltd. on October 9, 2012. In addition, the solicitation for insurance and support business division under personal business division was transferred to a newly established corporation, through the split-off on April 1, 2021.

The insurance products available and discontinued as at September 30, 2021, are as follows:

Life insurance

(In number of insurance products)

	Insurance products		
Description	**Available**	**Discontinued**	**Total**
Annuity with tax benefits	6	62	68
Annuity	8	156	164
Other life insurance	-	13	13
Whole life, Term life insurance	54	422	476
Endowment insurance	10	104	114
Group insurance	4	30	34
	82	787	869

Non-life insurance

	Insurance products		
Description	**Available**	**Discontinued**	**Total**
General	406	2	408
Automobile	19	2	21
Long-term	38	960	998
Retirement pension	7	-	7
	470	964	1,434

Details of shareholders of the Parent Company as at September 30, 2021, are as follows:

Name of shareholder	Number of shares	Percentage of ownership (%)
Hanwha Engineering & Construction Corporation	217,919,239	25.09
Hanwha Corporation	157,600,000	18.15
Hanwha Galleria Timeworld Co., Ltd.	15,204,166	1.75
Korea Deposit Insurance Corporation	86,857,001	10.00
Treasury shares	117,139,750	13.49
Other	273,809,844	31.53
	868,530,000	100.00

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

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

The Group's consolidated interim financial statements for the nine-month period ended September 30, 2021, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These condensed consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as at September 30, 2021.

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2021.

- Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19 - Related Rent Concessions

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. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform (Phase 2 amendments)

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The Group is in review for the impact of these amendments on the financial statements.

(b) New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations that have been published that are not mandatory for September 30, 2021 reporting periods and have not been early adopted by the Group.

- Amendment to Korean IFRS 1116 - Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the 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, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendment should be applied for annual periods beginning on or after April 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

- Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities 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 Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 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 financial statements.

- Amendments to Korean IFRS 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, in 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 financial statements.

- Amendments to Korean IFRS 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 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 financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters

- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities

- Korean IFRS 1116 *Leases* – Lease incentives

- Korean IFRS 1041 *Agricultur*e – Measuring fair value

- Amendments to Korean IFRS 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 expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized consolidatedly from the liability. 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 financial statements.

- *Korean IFRS 1117 Insurance Contract*

a) Major changes in accounting policy

Korean IFRS 1117 *Insurance Contracts* enacted on April 23, 2021 is effective for annual periods beginning on or after January 1, 2023 and will replace Korean IFRS 1104 *Insurance Contracts*.

The major features of Korean IFRS 1117 are the current value measurement of insurance liabilities, recognition of insurance revenue on an accrual basis, and the separate presentation of insurance income or expense and the investment income or expense. According to the current Korean IFRS 1104, insurance liabilities are measured using historical information (interest rate at the time of insurance sales, etc.). Also, when an insurance company receives premiums, the premiums received are recognized as insurance revenue on a cash basis, and there is no obligation to present insurance income or expense and the investment income or expense separately. On the other hand, according to Korean IFRS 1117, insurance liabilities are measured at current values using discount rates applied with assumptions and risks at the measurement date, insurance revenue is recognized on an accrual basis as per services provided to policyholders by each fiscal year, and insurance financial income or expense and the investment income or expense are presented separately.

When the Group prepares financial statements by applying Korean IFRS 1117, the areas that are expected to cause significant differences from the current financial statements are as follows. These do not include all differences that may arise in the future and are subject to change according to additional analysis results in the future.

Valuation of insurance liabilities

According to Korean IFRS 1117, the Group estimates all cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date.

Specifically, after identifying a portfolio of insurance contracts consisting of contracts that are exposed to similar risks and managed together, the Group classifies contracts with similar profitability within the portfolio to groups of insurance contracts. Thereafter, a group of insurance contracts is measured at the total of estimates of future cash flows (including cash flows related to insurance contract loans and reflecting the time value of money and others.), risk adjustment, and contractual service margin. With the adoption of Korean IFRS 1117, a contractual service margin account is newly introduced, which represents the unearned profit that an entity expects to earn as it provides services in the future.

Meanwhile, a reinsurance contract refers to an insurance contract issued by the reinsurer to compensate another entity for claims arising from insurance contracts issued by that other entity (underlying contracts). For the group of reinsurance contracts held, assumptions that are consistent with the groups of underlying insurance contracts are used when measuring the estimates of the present value of the future cash flows for the group of reinsurance contracts.

Recognition and measurement of financial performance

According to Korean IFRS 1117, insurance income is recognized on an accrual basis as per services (insurance coverage) provided to policyholders by each fiscal year, and investment factors (surrender values, refund at maturity, etc.) paid to the policyholder regardless of the insurance event are excluded from the insurance income. In addition, insurance income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses.

Accounting policy related to transition

According to the transition of Korean IFRS 1117, an insurance company shall apply a fully retrospective approach, modified retrospective approach or fair value approach for a group of insurance contracts issued before the transition date (January 1, 2022, the beginning of the annual reporting period immediately preceding the date of initial application) and adjust the existing historical cost-based valuation to the valuation at the measurement date.

Although an insurance company shall identify, recognize and measure a group of insurance contracts (fully retrospective approach) as if Korean IFRS 1117 had been applied before the date of transition, if it is impracticable for an entity to apply the method, the company shall apply the modified retrospective approach or the fair value approach. However, in case of a group of insurance contracts with direct participation features that meets certain conditions, the fair value approach can be applied even if the fully retrospective approach is applicable.

Meanwhile, the modified retrospective approach is a method to achieve the closest outcome to retrospective application as possible using reasonable and supportable information available without undue cost or effort. The fair value approach is a method of evaluating a group of insurance contracts by using the fair value evaluation amount in accordance with Korean IFRS 1113 *Fair Value Measurement*. When applying the fair value approach, the contractual service margin of the liabilities for remaining coverage is determined as the difference between the fair value of a group of insurance contracts and the fulfilment cash flows measured at the transition date.

2) Preparation status for the implementation of Korean IFRS 1117

In order to implement Korean IFRS 1117 smoothly, the Group is in the process of organizing a separate task force team, establishing an accounting system, training employees, and analyzing financial impact.

Most of all, the stability of the accounting system and the consistency of system calculations shall be secured for the adequacy of insurance liability valuation, and accounting policies and actuarial assumptions shall be set reasonably and applied consistently every period. To this end, the Group continuously verifies the system and prepares several internal control measures. In particular, the Group plans to establish and comply with the internal control over financial reporting suitable for the changed accounting environment so that reliable accounting information can be prepared and disclosed after the implementation of the new accounting standards.

The adoption of Korean IFRS 1117 will not only be a change of accounting standards, but will also affect insurance product development, sales strategies, and long-term management strategies. Accordingly, the Group re-established various management strategies after the implementation of the new accounting standards, while continually performing education for related employees, and reporting the progress status and future plans to the management.

- Enactment of Korean IFRS 1109 Financial Instruments

Korean IFRS 1109 *Financial instruments* was issued on September 25, 2015, and was effective for annual periods beginning on or after January 1, 2018. However, under new Korean IFRS 1104 *Insurance Contracts*, the Group can choose an optional temporary exemption from applying Korean IFRS 1109 and defer the application of Korean IFRS 1109 until the initial application date of Korean IFRS 1117 *Insurance contract*.

The Group's activities are predominantly connected with insurance, and the total carrying amount of its insurance related liabilities exceeded 90 percent of the carrying amount of its total liabilities at December 31, 2015. These satisfy the requirements for the optional temporary exemption to apply Korean IFRS 1109. The Group will apply Korean IFRS 1109 for annual periods beginning on or after January 1, 2023.

When applying Korean IFRS 1109, carrying amount and fair value of financial assets by category as at September 30, 2021 and December 31, 2020 and variances in the fair value for the nine-month period ended September 30, 2021, are as follows:

(in millions of Korean won)	Carrying amount		Fair value		
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020	Variances
Financial assets with contractual cash flows which consist solely of payments of principal and interest on the principal amount outstanding[1]	₩ 97,841,038	₩ 93,716,586	₩ 97,955,403	₩ 94,096,106	₩ 3,859,297
Other financial assets	28,571,095	20,626,096	28,569,022	20,625,916	7,943,106
	₩ 126,412,133	₩ 114,342,682	₩ 126,524,425	₩ 114,722,022	₩ 11,802,403

[1] As at September 30, 2021, carrying amount (before loss allowance) and fair value of above financial assets that do not have low credit risk are ₩ 1,513,081 million and ₩ 1,470,025 million (December 31, 2020: ₩ 1,535,176 million and ₩ 1,497,933 million), respectively.

2.2 Significant Accounting Policies

Significant accounting policies and method of computation used in the preparation of the consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2020, except for the changes due to the application of amendment and enactments of standards described in Note 2.1(a) and the one described below.

2.2.1 Income Tax Expense

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The important judgements by the management on accounting policies and the main sources of estimation uncertainty for preparing interim financial statements are identical to ones used in the Group's annual consolidated financial statements for the year ended December 31, 2020.

As the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on domestic and global economy, significant accounting estimates and assumptions applied in the preparation of the consolidated interim financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot currently be determined.

4. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2020.

5. Fair Value Measurements

Fair Value Hierarchy

Items that are measured at fair value or for which the fair value is disclosed are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date (Level 1).

- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).

- Unobservable inputs for the asset or liability (Level 3).

The fair value of assets and liabilities traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. These assets and liabilities are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of assets and liabilities are observable, such assets and liabilities are included in Level 2.

If one or more of the significant inputs is not based on observable market data, assets and liabilities are included in Level 3.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The valuation techniques used to measure the fair value of financial instruments are as follows:

	Details
Marketable securities	Listed securities which are traded in an active market are measured at quoted market prices. Otherwise, the value of the securities is determined by using valuation techniques from independent external valuation. Independent external valuator determines more than one valuation technique which is deemed appropriate from models such as DCF (Discounted Cash Flow) model, IMV (Imputed Market Value) model, FCFE (Free Cash Flow to Equity Mode), dividend discount model, risk adjusted discount rate method, and net asset value method.
Loans	Discounted Cash Flow Model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flow, which are contractual cash flows adjusted by prepayment rate, at appropriate discount rate. For those loans with residual maturities of less than one year as of the acquisition date and the ones with interest rate reset period of less than three months, carrying amount is regarded as fair value.
Derivatives	For exchange traded derivatives, quoted price in an active market is used to

	Details
instruments	determine fair value. For OTC (Over-The-Counter) derivatives including options, interest rate swaps and currency swaps, based on observable market parameters, fair value is determined by independent third-party pricing services. In addition, since some or all parameters are impossible to be observed in the market, some complex financial instruments are valued using independent third-party pricing services

The details of the fair value of financial instruments that are measured at fair value in the consolidated statement of financial positions by level of the fair value hierarchy are as follows:

(in millions of Korean won)	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	₩ 1,026,482	₩ 8,486,330	₩ 5,735,241	₩ 15,248,053
Available-for-sale financial assets	28,172,612	37,238,636	9,407,787	74,819,035
Derivative assets	2,852	132,634	45,245	180,731
	₩ 29,201,946	₩ 45,857,600	₩ 15,188,273	₩ 90,247,819
Financial liabilities				
Derivative liabilities	₩ 322,517	₩ -	₩ 1,128,107	₩ 1,450,624
Financial liabilities at fair value through profit or loss	6,089	1,152,749	26,336	1,185,174

(in millions of Korean won)	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	₩ 211,341	₩ 3,536,388	₩ 4,802,639	₩ 8,550,368
Available-for-sale financial assets	22,310,723	41,957,075	7,651,128	71,918,926
Derivative assets	-	1,050,529	-	1,050,529
	₩ 22,522,064	₩ 46,543,992	₩ 12,453,767	₩ 81,519,823
Financial liabilities				
Derivative liabilities	₩ -	₩ 184,680	₩ -	₩ 184,680

As of September 30, 2021 and December 31, 2020, the equity instruments are measured at cost of ₩ 178,160 million and ₩ 132,258 million, respectively, whose fair value cannot be reliably measured and do not have quoted market price in an active market.

It is practically difficult to quantify the intrinsic values of the equity securities and the beneficiary certificates, and probabilities and range of estimated cash flows of these securities cannot be reasonably assessed. Therefore, these equity securities are carried at cost. The Group has no plan to sell these instruments in the near future, and is expected to measure their fair value upon the privatization of invested companies or upon further progress of the projects.

There were no transfers between levels 1 and 2 during the period. Changes in level 3 for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			
	Financial assets at fair value through profit and loss	**Available-for-sale financial assets**	**Derivative assets**	**Total**
Beginning Balance	₩ 4,802,639	₩ 7,651,128	₩ -	₩ 12,453,767
Purchase	258,033	1,388,524	4,356	1,650,913
Disposal	(243,550)	(769,901)	(7,334)	(1,020,785)
Valuation	524,228	277,517	(4,369)	797,376
Impairment	-	(6,047)	-	(6,047)
Transfer	(11,597)	2,611	-	(8,986)
Changes in scope of consolidation	405,488	863,955	52,592	1,322,035
Ending Balance	₩ 5,735,241	₩ 9,407,787	₩ 45,245	₩ 15,188,273

(in millions of Korean won)	2021		
	Financial liabilities at fair value through profit and loss	**Derivative liabilities**	**Total**
Beginning Balance	₩ -	₩ -	₩ -
Purchase	285,028	1,020	288,048
Disposal	(166,406)	(847)	(167,253)
Valuation	(6,009)	2,109	(3,900)
Impairment	-	-	-
Transfer	-	-	-
Changes in scope of consolidation	1,015,494	24,054	1,039,548
Ending Balance	₩ 1,128,107	₩ 26,336	₩ 1,154,443

(in millions of Korean won)	2020		
	Financial assets at fair value through profit and loss	Available-for-sale financial assets	Total
Beginning Balance	₩ 4,352,685	₩ 6,550,074	₩ 10,902,759
Purchase	253,938	1,067,090	1,321,028
Disposal	(48,654)	(391,337)	(439,991)
Valuation	92,022	55,824	147,846
Impairment	-	(32,665)	(32,665)
Transfer	(30)	5,135	5,105
Ending Balance	₩ 4,649,961	₩ 7,254,121	₩ 11,904,082

The Group's policy is to recognize transfer between levels of the fair value at the date of the event or change in circumstances that caused the transfer. There are no changes in valuation technique used in level 2 and level 3 fair value measurements.

Sensitive analysis of the fair value measurement of financial instruments classified as Level 3

The sensitive analysis calculates the effect of changes in the unobservable inputs on the fair value measurement of financial assets. The effect is classified as favorable or unfavorable changes. If the fair value is affected by two or more unobservable inputs, the effect is calculated by assuming the most favorable or adverse circumstances. Financial instruments classified as Level 3 are the subject of the sensitive analysis and those include financial assets at fair value through profit or loss, equity securities and beneficiary certificates. The change of the fair value of financial assets at fair value through profit or loss is recognized in profit or loss and of the other financial instruments is recognized in profit or loss or other comprehensive income.

The following table presents the effect of changes in the unobservable inputs on the fair value measurement of financial instruments for the nine-month periods ended September 30, 2021 and 2020.

(in millions of Korean won)	2021			
	Profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss[1]	₩ 88,118	₩ (91,955)	₩ -	₩ -
Available-for-sale financial assets[1,2]	-	-	112,349	(109,978)
Derivative assets	5,136	(5,705)		
	₩ 93,254	₩ (97,660)	₩ 112,349	₩ (109,978)
Financial liabilities at fair value through profit or loss	₩ 14,794	₩ (16,438)	₩ -	₩ -
Derivative liabilities	14,598	(16,220)		
	₩ 29,392	₩ (32,658)	₩ -	₩ -

(in millions of Korean won)	2020			
	Profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss[1]	₩ 46,500	₩ (46,500)	₩ -	₩ -
Available-for-sale financial assets[1,2]	-	-	72,328	(71,494)
	₩ 46,500	₩ (46,500)	₩ 72,328	₩ (71,494)

[1] Changes in the fair value of other securities and beneficiary certificates are calculated by increasing and decreasing the main unobservable inputs, such as, the price fluctuations of trust properties or real estate, by 1%.

[2] Changes in the fair value of equity securities are calculated by increasing and decreasing the main unobservable inputs of growth rate (0~1%) and discount rate or liquidation value (-1~1%).

The book amount and fair value of financial instruments not subsequently measured at fair value as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021		December 31, 2020	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 1,302,517	₩ [1]	₩ 1,051,931	₩ [1]
Deposits	1,109,842	[1]	506,330	[1]
Loans	31,103,146	31,215,438	29,596,267	29,975,607
Other financial assets	2,470,650	[1]	1,536,070	[1]
	₩ 35,986,155	₩ 31,215,438	₩ 32,690,598	₩ 29,975,607
Financial liabilities				
Other financial liabilities	₩ 3,896,003	[1]	₩ 2,463,328	[1]
Borrowings and Debentures	7,191,255	[1]	552,557	[1]-
	₩ 11,087,258	₩ -	₩ 3,015,885	₩ -

[1] These financial assets and liabilities of which book amounts are considered approximation of fair values are excluded from the fair value disclosure.

Fair value hierarchy classifications of the financial instruments that its fair value is disclosed as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021							
	Level 1		Level 2		Level 3		Total	
Loans	₩		₩		₩	31,215,438	₩	31,215,438

(in millions of Korean won)	December 31, 2020							
	Level 1		Level 2		Level 3		Total	
Loans	₩	-	₩	-	₩	29,975,607	₩	29,975,607

The financial assets and liabilities of which book amounts are considered approximation of fair values are excluded from the fair value disclosure.

Valuation techniques and inputs used in the recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021				
	Fair value	**Level**	**Valuation techniques**	**Inputs**	**Range of inputs (%)**
Financial assets					
Financial assets at fair value through profit or loss	₩ 8,486,330	2	Net asset value assessment/DCF/ Monte Carlo Simulation and others	Net asset value	-
				Discount rate	-
	5,735,241	3	Net asset value assessment	Net asset value	
Available-for-sale financial assets	37,238,636	2	DCF and others	Discount rate	-
	9,407,787	3	DCF/Comparable analysis/Utilization of past transaction /Net asset value assessment	Growth rate	0
				Discount rate	3.31 ~ 19.2
				Net asset value	-
Derivative assets	132,634	2	DCF and others	Discount rate	-
	45,245	3	DCF/ Monte Carlo Simulation and others	Volatility	11.3 ~ 105.27
				Correlation coefficient of underlying asset	-1~1
Loans [1]	31,215,438	3	DCF	Credit spread, Early redemption rate	
Financial liabilities					
Financial liabilities at fair value through profit or loss	1,128,107	3	Monte Carlo Simulation and others	Volatility	11.3 ~ 105.27
				Correlation coefficient of underlying asset	-1~1
Derivative liabilities	1,152,749	2	DCF and others	Discount rate	-
	26,336	3	DCF/ Monte Carlo Simulation and others	Volatility	11.3 ~ 105.27
				Correlation coefficient of underlying asset	-1~1

[1] The range of inputs is not disclosed for financial assets whose book amount is measured at

amortized cost and fair value is only disclosed in the notes.

(in millions of Korean won)	December 31, 2020				
	Fair value	**Level**	**Valuation techniques**	**Inputs**	**Range of inputs (%)**
Financial assets					
Financial assets at fair value through profit or loss	₩ 3,536,388	2	Net asset value assessment/DCF	Net asset value and discount rate	-
	4,802,639	3	Net asset value assessment	Net asset value	-
Available-for-sale financial assets	41,957,075	2	DCF and others	Discount rate	-
	7,651,128	3	DCF/Comparable analysis/Utilization of past transaction /Net asset value assessment	Growth rate	0
				Discount rate	6.05 ~ 12.41
				Net asset value	-
Derivative assets	1,050,529	2	DCF/Embedded forward rate calculation and others	Discount rate	-
Loans [1]	29,975,607	3	DCF	Credit spread, Early redemption rate	-
Financial liabilities					
Derivative liabilities	184,680		DCF/Embedded forward rate calculation and others	Discount rate	-

[1] The range of inputs is not disclosed for financial assets whose book amount is measured at amortized cost and fair value is disclosed in the notes.

Day 1 Profits and Losses

In the case that the Group measures the fair value of financial instruments with unobservable inputs, the Group recognizes the fair value of the instrument at the transaction price if the fair value at initial measurement is different from the transaction price. The difference between the fair value at initial measurement and the transaction price is deferred and amortized using a straight-line method until the maturity of the instrument. However, in the case where inputs of the valuation techniques become observable in markets, the remaining deferred difference is immediately recognized as gain or loss.

In relation to this, details and changes of the total deferred difference for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)		**2021**
Beginning balance	₩	-
New transactions		413
Amounts recognized in profit or loss		(1,501)
Transfer		(205)
Ending balance	₩	(1,293)

6. Financial Instruments by Category

Details of financial assets and liabilities by category as at September 30, 2021 and December 31, 2020, are as follows:

(1) Financial assets

(in millions of Korean won)	**September 30, 2021**				
	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Loans and receivables**	**Derivative instruments for hedging**	**Total**
Cash and cash equivalents	₩ -	₩ -	₩ 1,302,517	₩ -	₩ 1,302,517
Deposits	-	-	1,109,842	-	1,109,842
Securities	15,248,053	74,997,194	-	-	90,245,247
Loans	-	-	31,103,146	23,847	31,103,146
Derivative assets	156,884	-	-	-	180,731
Other financial assets	-	-	2,470,650	-	2,470,650
	₩ 15,404,937	₩ 74,997,194	₩ 35,986,155	₩ 23,847	₩ 126,412,133

(in millions of Korean won)	**December 31, 2020**				
	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Loans and receivables**	**Derivative instruments for hedging**	**Total**
Cash and cash equivalents	₩ -	₩ -	₩ 1,051,931	₩ -	₩ 1,051,931
Deposits	-	-	506,330	-	506,330
Securities	8,550,368	72,051,185	-	-	80,601,553
Loans	-	-	29,596,267	-	29,596,267
Derivative assets	257,427	-	-	793,102	1,050,529
Other financial assets	-	-	1,536,070	-	1,536,070
	₩ 8,807,795	₩ 72,051,185	₩ 32,690,598	₩ 793,102	₩ 114,342,680

(2) Financial liabilities

(in millions of Korean won)	September 30, 2021			
	Financial liabilities at fair value through profit or loss	Derivative instruments for hedging	Financial liabilities carried at amortized cost	Total
Financial liabilities designated at fair value through profit or loss	₩ 1,450,624	₩ -	₩ -	₩ 1,450,624
Derivative liabilities	312,702	872,471	-	1,185,173
Other financial liabilities	-	-	3,896,003	3,896,003
Borrowings and Debentures	-	-	7,191,255	7,191,255
	₩ 1,763,326	₩ 872,471	₩ 11,087,258	₩ 13,723,055

(in millions of Korean won)	December 31, 2020			
	Financial liabilities at fair value through profit or loss	Derivative instruments for hedging	Financial liabilities carried at amortized cost	Total
Derivative liabilities	₩ 2,896	₩ 181,784	₩ -	₩ 184,680
Other financial liabilities	-	-	1,910,771	1,910,771
Borrowings and Debentures	-	-	552,557	552,557
	₩ 2,896	₩ 181,784	₩ 2,463,328	₩ 2,648,008

7. Cash and Cash Equivalents and Deposits

Details of cash and cash equivalents and deposits as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	Financial institution	Interest rate (%) as at September 30, 2021	September 30, 2021	December 31, 2020
Cash and cash equivalents				
Cash and demand deposits	KB Kookmin Bank and others	0~5	₩ 393,849	₩ 271,759
Money market deposit accounts(“MMDA”) and others	KEB Hana Bank and others	0.05~2.1	908,668	780,172
			1,302,517	1,051,931
Bank deposits				
Subscription deposits	Woori Bank and others	0~8.4	701	-

Reserve for claims of customers' deposits			178,176	-
Deposit for lending and borrowing transaction			165,200	-
Guarantee trading deposits for proprietary trading - futures and options transaction			23,846	-
Guarantee deposits for KSFC trading			23	-
Collateral of payment money			186	-
Term deposits		0-8.4	459,002	237,797
Deposits for establishing checking accounts			30	-
Others	KEB Hana Bank and others	1.87~5.8	282,677	268,533
			1,109,841	506,330
			₩ 2,412,358	₩ 1,558,261

Details of restricted deposits as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

	Financial institution	September 30, 2021	December 31, 2020	Reason for restrictions
Bank deposits				
Subscription deposits	Korea Securities Depository and others	₩ 701	₩ -	Pledged as collaterals for the subscription of ELS and stability of transaction related to retail payment system
Time deposits	Kookmin Bank	1,000	-	Pledged as collaterals for the subscription of ELS and stability of transaction related to retail payment system
Time deposits	Kookmin Bank	237	-	Pledged as collaterals for deposits for subleasing
Time deposits	Woori Bank	2,500	-	Pledged as collaterals for transaction performance
Time deposits	KEB Hana Bank and others	1,447	1,437	Pledged as collaterals for guarantees received and others
Guarantee trading deposits for proprietary trading - futures and options transaction	KB SECURITIES CO.,LTD. and others	14,960		Deposits for foreign currency futures trading
Reserve for claims of	KSFC	169,706	1,931	Deposits in accordance with Capital

customers' deposits – collective investment securities.				Markets and Financial Investment Services Law 74
Reserve for claims of customers' deposits – foreign investment securities.	KSFC	17,774	-	Deposits in accordance with Capital Markets and Financial Investment Services Law 74
Deposit for lending and borrowing transaction	Korea Securities Depository	165,200	-	Deposit in cash collateral for share lending and borrowing transactions
Guarantee deposits for KSFC trading	KSFC	23	-	Collateral of securities distribution finance lender
Collateral of payment money	Credit Agricole Corporate and investment bank	186	-	Provided as collateral for OTC derivatives transactions.
Deposits for establishing checking accounts	Woori Bank and others	47	18	Guarantees for deposit for opening of checking account
Financial assets at fair value through profit or loss				
Reserve for claims of customers' deposits (trust) – general	KSFC	396,278	-	Deposits in accordance with Capital Markets and Financial Investment Services Law 74
Reserve for claims of customers' deposits (trust) – derivatives	KSFC	45,027	-	Deposits in accordance with Capital Markets and Financial Investment Services Law 74
Available-For-Sale financial assets				
Collective fund for stock market	Korea Exchange	700	-	Deposits in accordance with Capital Markets and Financial Investment Services Law 394
Collective fund for derivatives market	Korea Exchange	9,600	-	Deposits in accordance with Capital Markets and Financial Investment Services Law 394
Collective fund for default loss	Korea Exchange	844	-	Deposits in accordance with Capital Markets and Financial Investment Services Law 394
		₩ 826,231	₩ 3,386	

8. Financial Assets at Fair Value through Profit or Loss and Available-For-Sale

Details of financial assets at fair value through profit or loss as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	**September 30, 2021**	**December 31, 2020**

Trading securities				
Equity securities:				
Stocks	₩	701,092	₩	417,106
Beneficiary certificates		1,383,325		1,151,700
		2,084,417		1,568,806
Debt securities:				
Government and public bonds		448,138		4,428
Special bonds		2,237,308		-
Corporate bonds		1,752,059		57,659
		4,437,505		62,087
Overseas securities		6,308,160		5,202,406
Other securities		2,415,527		1,717,069
Financial assets designated at fair value through profit or loss:				
Other securities	₩	2,444		-
		15,248,053	₩	8,550,368

Details of available-for-sale financial assets as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)		**September 30, 2021**		**December 31, 2020**
Equity securities:				
Stocks	₩	1,572,135	₩	730,217
Investments		154,413		114,383
Beneficiary certificates		7,211,452		6,708,177
		8,938,000		7,552,777
Debt securities:				
Government and public bonds		25,103,265		21,431,219
Special bonds		14,008,549		14,576,971
Financial bonds		818,925		861,047
Corporate bonds		4,698,484		5,025,744
Others [1]		1,884,156		37,368
		46,513,379		41,932,349
Overseas securities		19,147,840		22,191,558
Other securities		397,976		374,500
	₩	74,997,195	₩	72,051,184

[1] Transfer transactions that do not meet the derecognition requirements in accordance with Korean IFRS 1039. The Group receives commission through the loan of financial assets currently held in Korea Securities Depository and other as at September 30, 2021 and December 31, 2020.

Details of impairment losses on available-for-sale financial assets for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020
Stocks and investments	₩	27	₩	102,113
Beneficiary certificates		5,159		7,443
Corporate bonds		3,000		-
Overseas securities		3,836		11,513
Other securities		824		43,473
	₩	12,846	₩	164,542

Changes in the fair value of available-for-sale financial assets for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			
	Beginning balance	Valuation	Profit or loss	Ending balance
Changes in the fair value of available-for-sale financial assets	₩ 4,483,731	₩ (2,833,828)	₩ (626,664)	₩ 1,023,240
The amount allocated to policyholders' equity adjustment	(1,111,540)			(373,213)
The amount allocated to shareholders' equity	3,372,191			650,028
Deferred tax effect	(847,432)			(150,245)
Shareholders' equity, net of deferred tax	₩ 2,524,759			₩ 499,782

(in millions of Korean won)	2020				
	Beginning balance	Valuation	Profit or loss	Changes in scope of consolidation	Ending balance
Changes in the fair value of available-for-sale financial assets	₩ 4,588,253	₩ 2,003,247	₩ (402,291)	₩ 28	₩ 6,189,237
The amount allocated to policyholders' equity adjustment	(1,105,959)				(1,451,388)
The amount allocated to shareholders' equity	3,482,294				4,737,849
Deferred tax effect	(906,312)				(1,177,036)
Shareholders' equity, net of deferred tax	₩ 2,575,982				₩ 3,560,813

Details of securities pledged as collaterals

Collateralized securities as at September 30 2021, are as follows:

(in millions of Korean won)		Amount [1]	
Financial institution	**Commitment**	**Financial assets at fair value through profit or loss**	**Available-for-sale financial assets**
KSFC [2]	Guarantee for lending and borrowing securities	₩ 49,313	₩ 225,999
Korea Exchange [3]	Guarantee for futures and options trading	47,848	-
	Guarantee for interest rate swap	2,000	-
	Collective fund for default loss	15,760	-
	Stock market transaction deposit	10,823	-
Korea Securities Depository [4]	Collective fund for default loss	950	-
	Guarantee for lending and borrowing securities	318,429	-
IBK Bank and others [5]	Guarantee for OTC derivative transactions	221,705	1,261,747
Shinhan Bank and others	General bank overdraft	-	140,000
		₩ 666,827	₩ 1,627,746

[1] The amounts are the book value of stocks and the amount evaluated by par value of bonds and CPs.

[2] Includes 1,000,000 shares of Korea Exchange and ₩ 49,313 million in government and local government bonds.

[3] Includes ₩ 76,431 million in bonds.

[4] Includes ₩ 36,198 million in share and ₩ 283,181 million in bonds.

[5] Includes ₩ 1,483,452 million in bonds.

Related to bonds sold under repurchase agreements, ₩ 3,921,178 million in bonds are established as securities by means of transfer as at September 30, 2021.

Related to net settlement agency business, ₩ 37,000 million in beneficiary certificates of benefits money trust are established as securities by means of transfer at Kookmin Bank as at September 30, 2021.

Related to trading finance and collateral loans, ₩ 1,149,339 million of securities that are received or pledged as collaterals are provided to KSFC as at September 30, 2021.

9. Subsidiaries

Details of subsidiaries as at September 30, 2021 and December 31, 2020, are as follows:

Name of company	Main operating activity	Location	Ownership held by the Group (%)	
			September 30, 2021	December 31, 2020
Subsidiaries				
Hanwha Life Financial Service. Co, Ltd [1]	Insurance agent and brokerage	Korea	100	-
Hanwha Asset Management Co., Ltd.	Asset management	Korea	100	100
Hanwha 63 City Corporation	Real estate management, service and etc.	Korea	100	100
Hanwha I&A Co., Ltd.	Services for insurance	Korea	100	100
Hanwha Life Lab Co.,Ltd. (formerly, Hanwha Life Asset Co., Ltd.) [2]	Insurance agent and brokerage	Korea	100	100
Hanwha Life Insurance Company Limited (Vietnam)	Life insurance	Vietnam	100	100
Hanwha Financial Technology Company Limited [3]	Digital solution	Vietnam	100	100
PT. Hanwha Life Insurance Indonesia	Life insurance	Indonesia	99.6	100
Hanwha General Insurance Co., Ltd.	Non-life insurance	Korea	51.4	51.4
Carrot General Insurance [4]	Non-life insurance	Korea	60.4	55.1
Hanwha Asset Management(USA) Ltd. [5]	Oversea securities investment	USA	100	100
Hanwha Asset Management Pte., Ltd. [5]	Asset management	Singapore	100	100
Hanwha Investment Management Pte., Ltd. [5]	Asset management	China	100	100
Hanwha Investment & Securities Co., Ltd.[8]	Investment sales and brokerage	Korea	46.08	-
DATA ANALYTICS LAB Co.,LTD. [9]	Management consulting Software development and supply	Korea	100	-
Zharyk Zhol Company 2007.LLP [9]	Real estate investment	Kazakhstan	100	-
Pinetree Securities Pte. Ltd.[9]	Financial investment	Singapore	100	-
Pinetree Securities Corporation [9]	Financial investment	Vietnam	98.78	-
Beneficiary certificates [6]				
Pinetree Solthree Private Real Estate Investment Trust Security III [7]	Collective investment schemes (real estate)	Korea	50 - 100	97.1 - 100
Hanwha Global Corporate PE Strategy Private Fund I [7]	Collective investment schemes (security)	Korea	47.8 - 100	49.9 - 100
Hanwha Tri-circle Infra Special Asset I	Collective investment schemes (special asset)	Korea	40.3 - 100	40.3 - 100
Hanwha AI Global Choice Private Fund 1 (FOF)	Collective investment schemes (real estate/special asset)	Korea	100	100
Gangso Renewable Energy Innovation Fund	Venture capital investment association	Korea	40.1 - 100	99

Name of company	Main operating activity	Location	Ownership held by the Group (%) September 30, 2021	Ownership held by the Group (%) December 31, 2020
Asia Pacific No.45 Ship Investment Company Co., Ltd.	Ship investment	Korea	-	-
HSF 8th Co., Ltd.	Fluidization of loans receivables	Korea	-	-

[1] The entities are newly established in 2021 and the Group holds 100% ownership.

[2] Hanwha Life Lab Co.,Ltd. (formerly, Hanwha Life Asset Co., Ltd.) merged with Hanwha Financial Asset Co., Ltd. during the year ended December 31, 2020.

[3] The entities are newly established in 2020 and the Group exercises control through Hanwha Life Insurance Company Limited (Vietnam), a subsidiary.

[4] The Group exercises control through Hanwha General Insurance Co., Ltd., a subsidiary.

[5] The Group holds 100% ownership through the Group's subsidiary, Hanwha Asset Management Co., Ltd.

[6] Although the Group owns less than 50% of shares, 56 beneficiary certificates including Hanwha Green Love Private 2 (Infra) are included in consolidated subsidiaries in accordance with Korean IFRS 1110, considering percentage of ownership and substantial agent relationship.

[7] During the nine-month period ended September 30, 2021, the Group newly acquired the shares of Shinhan CIP VIII PBN Professional Investment Type Private Security Investment Trust No.1(H) and 3 other beneficiary certificates, and those newly purchased shares are classified as investments in subsidiaries in accordance with Korean IFRS 1110.

[8] During nine-month period ended September 30, 2021, the Group exercises control by acquiring additional shares in its subsidiary Hanwha Asset Management.

[9] The Group exercises control through Hanwha Investment & Securities Co., Ltd., a subsidiary.

As at September 30, 2021, Consus Incheon sewage pipes private investment trust I and 19 other beneficiary certificates, although the Group owns more than 50% of shares, are excluded from consolidated subsidiaries, in accordance with Korean IFRS 1110, as the Group is unable to exercise voting rights by an agreement with other shareholders and therefore do not have a practical decision on related activities of investee.

During the nine-month period ended September 30, 2021, five subsidiaries including Hanwha Investment & Securities Co., Ltd. and 48 beneficiary certificates including 2020 Hanwha Future Environment New Technology Venture Fund are newly included in the consolidation.

Summarized financial information of major subsidiaries of the Group as at September 30, 2021 and December 31, 2020, is as follows:

(in millions of Korean won)	September 30, 2021					
	Total assets	Total liabilities	Total equity	Operating revenue	Profit (loss) for the nine-month period	Comprehensive income for the nine-month period
Subsidiaries						
Hanwha Life Financial Service. Co, Ltd	723,143	160,522	562,621	400,258	(87,379)	(87,379)
Hanwha Asset Management Co., Ltd.	1,157,267	317,411	839,857	193,517	95,331	103,908
Hanwha 63 City Corporation	54,054	13,039	41,015	56,021	2,000	2,000
Hanwha I&A Co., Ltd.	25,492	10,355	15,137	33,178	769	769
Hanwha Life Lab Co.,Ltd. (Formerly, Hanwha Life Asset Co., Ltd.)	50,631	16,984	33,647	42,120	(5,116)	(5,116)
Hanwha Life Insurance Company Limited (Vietnam)	735,076	453,257	281,820	171,478	7,753	42,197
Hanwha Financial Technology Company Limited	21,024	135	20,889	782	46	2,048
PT. Hanwha Life Insurance Indonesia	174,589	13,585	161,003	15,433	1,780	10,531
Hanwha General Insurance Co., Ltd. [1]	20,132,720	18,569,951	1,562,769	5,861,338	168,023	(135,227)
Carrot General Insurance	202,251	90,305	111,946	159,854	(38,435)	(38,435)
Hanwha Asset Management (USA) Ltd.	12,726	1,945	10,781	4,782	510	1,161
Hanwha Asset Management Pte., Ltd.	31,748	474	31,274	1,477	(1,184)	570
Hanwha Investment Management Pte., Ltd.	7,488	42	7,446	354	(715)	101
Hanwha Investment & Securities Co., Ltd.[8]	11,391,194	9,799,949	1,591,245	448,486	28,713	7,832
DATA ANALYTICS LAB Co.,LTD. [9]	5,346	22	5,324	21	-	-
Zharyk Zhol Company 2007.LLP [9]	84	8	76	2	-	725
Pinetree Securities Pte. Ltd.[9]	76,407	24,954	51,453	1,909	299	3,561
Pinetree Securities Corporation [9]	9,751	590	9,161	9	(292)	604
Beneficiary certificates [2]						
Gangso Renewable Energy Innovation Fund and others	1,781,143	151,326	1,629,817	240,448	67,340	67,340
Pinetree Solthree Private Real Estate Investment Trust Security III and others	2,245,143	45,428	2,199,715	405,141	246,401	246,401
Hanwha Global Corporate PE Strategy Private Fund I and others	4,845,037	111,166	4,733,871	460,900	181,960	181,960
Hanwha Tri-circle Infra Special Asset I and others	162,184	7,889	154,295	33,580	(34,206)	(34,206)
Hanwha AI Global Choice Private Fund 1 (FOF)	173,954	1,743	172,211	37,750	18,117	18,117
Asia Pacific No.45 Ship Investment Company Co., Ltd.	22,772	271	22,501	1,153	1,094	1,094
HSF 8th Co., Ltd.	757,742	764,367	(6,625)	31,962	(4,659)	(4,659)

[1] Fair value measurements from business combination are not included in the financial information.

[2] The financial information of beneficiary certificates represents sum of individual beneficiary

certificates.

(in millions of Korean won)

	December 31, 2020					
	Total assets	Total liabilities	Total equity	Operating revenue	Profit (loss) for the year	Comprehensive income for the year
Subsidiaries						
Hanwha Asset Management Co., Ltd.	₩ 234,591	₩ 34,701	₩ 199,890	₩ 110,682	₩ 16,604	₩ 5,238
Hanwha 63 City Corporation	53,054	16,382	36,672	99,238	2,226	1,707
Hanwha I&A Co., Ltd.	22,839	10,479	12,360	39,727	1,634	2,119
Hanwha Life Lab Co.,Ltd. (Formerly, Hanwha Life Asset Co., Ltd.)	24,074	7,395	16,679	45,855	(986)	(986)
Hanwha Financial Asset Co., Ltd	16,559	4,629	11,930	11,099	(2,099)	(2,098)
Hanwha Life Insurance Company Limited (Vietnam)	496,254	272,034	224,220	174,826	19,971	53,175
PT. Hanwha Life Insurance Indonesia	166,506	16,196	150,310	19,166	1,949	14,103
Hanwha General Insurance Co., Ltd. [1]	18,578,568	16,873,112	1,705,456	8,022,671	(60,967)	247,020
Carrot General Insurance	92,779	2,236	90,543	725	(9,089)	(9,457)
Hanwha Asset Management (USA) Ltd.	12,806	3,140	9,666	5,865	(457)	405
Hanwha Asset Management Pte., Ltd.	5,761	962	4,799	1,127	(1,683)	(1,387)
Hanwha Investment Management Pte., Ltd.	11,519	16	11,503	3	2	209
Beneficiary certificates [2]						
Gangso Renewable Energy Innovation Fund	83,353	1,918	81,435	760	(822)	(822)
Pinetree Solthree Private Real Estate Investment Trust Security III and others	1,182,139	16,742	1,165,397	201,849	45,575	45,575
Hanwha Global Corporate PE Strategy Private Fund I and others	1,755,342	7,548	1,747,794	142,156	73,161	73,161
Hanwha Tri-circle Infra Special Asset I and others	4,046,040	33,660	4,012,380	412,452	164,118	164,118
Hanwha AI Global Choice Private Fund 1 (FOF)	290,110	2,427	287,683	43,857	28,443	28,443

[1] Fair value measurements from business combination are not included in the financial information.

[2] The financial information of beneficiary certificates represents sum of individual beneficiary certificates.

10. Investments in Associates and Joint Ventures

The details of investments in associates and joint ventures as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

				September 30, 2021		December 31, 2020	
Name of company	Main operating activity	Location	Ownership (%)	Acquisition cost	Book amount	Acquisition cost	Book amount
Sino Korea Life Insurance	Life insurance	China	50	129,274	54,516	₩ 129,274	₩ 58,059

(in millions of Korean won)				September 30, 2021		December 31, 2020	
Name of company	**Main operating activity**	**Location**	**Ownership (%)**	**Acquisition cost**	**Book amount**	**Acquisition cost**	**Book amount**
Co., Ltd.(China)							
NHN PAYCO CORPORATION [1]	Other financial support services	Korea	9.1	64,500	61,964	64,500	60,279
New Airport Highway Co., Ltd. and other 18 entities [1]	Credit investigation	Korea	3.5 – 19.5	41,946	49,376	63,670	65,962
2018 Hanwha IoT New Technology Venture Fund and another entity [2]	Management of highway	Korea	60.0 – 63.3	-	-	13,700	13,724
Kofc Value up Private Equity Fund [3,4,5]	Management of highway	Korea	3.9	2,500	-	2,500	-
Korea Investment-Hanwha Digital Healthcare Private Equity Fund I and other 9 entities[6]	Maintenance of sewage pipes	Korea and others	20 - 50	81,115	76,433	60,452	59,062
Hanwha US AUS PPP Private Fund 1 and other 24 entities	Infrastructure investment	Korea and others	0.21 – 93.4	115,991	120,785	-	-
				435,326	363,074	₩ 334,096	₩ 257,086

[1] The Group is considered to be able to exercise significant influence on investee companies, as allowed to participate in decision-making process for financial and business policies at the Board of Director’s meeting, and therefore, those investments are classified as investments in associates.

[2] Since the Group does not have ability to direct relevant activities, it is considered the Group does not have control over 2018 Hanwha IoT New Technology Venture Fund and Hanwha Global Business Fund. Therefore, the Group classified such investments as investments in associates.

[3] The Group’s subsidiary, Hanwha Asset Management Co., Ltd. has significant influence over Kofc Value up Private Equity Fund as a general partner with unlimited liability. Therefore, the Group classified such beneficiary certificates as investments in associates.

[4] In accordance with the agreement of reserves for the preferential loss regarding distribution of private equity fund property, the Group as general partner will be distributed with contribution after preferentially reserving the provision of loss for up to agreed limit.

[5] In accordance with the Group’s business transfer contract, if reserves for the preferential loss described in articles of PEF occur upon the distribution of residual property of Kofc Value up Private Equity Fund, the Group will receive the reserve for the preferential loss within the limit of retention (₩ 2.5 billion) set at the transaction from Hanwha Investment Corp., a related party of the Group and business transferor.

[6] During the nine-month period ended September 30, 2021, 2018 Hanwha IoT New Technology

Venture Fund, 2018 Hanwha New Industry Global Plus-up Fund , Chungnam-Hanwha Small and Medium Business, were reclassified as subsidiaries.

Changes in investments in associates and joint ventures for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021					
		Increase (decrease)				
Name of Company	**Beginning balance**	**Acquisition/ transfer**	**Change in scope of consolidation**	**Gain(loss) from equity method**	**Others**	**Ending balance**
Sino Korea Life Insurance Co., Ltd.(China)	58,059	–	–	(6,988)	3,446	54,516
NHN Payco Corporation	60,279	–	–	(2,031)	3,717	61,964
A&D Credit Information Co., Ltd.	3,318	–	–	163	(49)	3,432
New Airport Highway Co., Ltd.	10,808	–	–	3,827	(1,924)	12,710
Jeonla Railroad Co., Ltd.	9,930	–	–	(340)	-	9,590
Pangyo SD2 Co., Ltd.	25,697	–	–	5,656	(23,621)	7,732
Kofc Posco Hanwha KB Shared Growth No.2 Private Equity Fund	7,052	–	–	2,037	(2,295)	6,794
2018 Hanwha New Industry Global Plus-up Fund	7,593	(7,502)	–	(91)	–	–
ChungNam-Hanwha Small & Medium Company Growth Fund	7,777	(4,481)	–	2,554	(5,850)	–
Seoul Global Biomedical future growth engines fund	11,708	-	3,063	243	(9,354)	5,660
AI Alliance LLCE	6,965	1,961	–	(40)	632	9,518
2018 Hanwha IoT New Technology Venture Fund	9,681	(9,993)	–	312	–	–
Others	38,220	33,238	115,991	4,197	(488)	191,158
	257,086	13,222	119,054	9,498	(35,785)	363,074

(in millions of Korean won)

	2020				
		Increase (decrease)			
Name of Company	**Beginning balance**	**Acquisition/ transfer**	**Gain(loss) from equity method**	**Others**	**Ending balance**
Sino Korea Life Insurance Co., Ltd.(China)	58,474	–	(3,760)	(33)	54,681
NHN Payco Corporation	48,505	14,500	(2,292)	14	60,727
A&D Credit Information Co., Ltd.	3,459	–	30	(98)	3,391
New Airport Highway Co., Ltd.	13,432	–	2,106	(4,551)	10,988

(in millions of Korean won)	2020				
		Increase (decrease)			
Name of Company	Beginning balance	Acquisition/ transfer	Gain(loss) from equity method	Others	Ending balance
Jeonla Railroad Co., Ltd.	10,614	–	(1)	–	10,614
Pangyo SD2 Co., Ltd.	25,407	–	1,624	(1,832)	25,198
Kofc Posco Hanwha KB Shared Growth No.2 Private Equity Fund	9,439	–	309	(2,944)	6,804
2018 Hanwha New Industry Global Plus-up Fund	3,585	4,400	(328)	–	7,657
ChungNam-Hanwha Small & Medium Company Growth Fund	6,779	–	1,012	–	7,792
Seoul Global Biomedical future growth engines fund	10,725	–	(3)	1,461	12,183
AI Alliance LLCE	4,359	2,525	(156)	13	6,741
2018 Hanwha IoT New Technology Venture Fund	7,219	2,090	(291)	–	9,018
Others	28,830	5,588	82	(1,592)	32,907
	230,828	29,102	(1,669)	(9,560)	248,701

Summarized financial information of major investments in associates and joint ventures as at September 30, 2021 and December 31, 2020, and for the nine-month periods ended September 30, 2021 and 2020, is as follows:

(in millions of Korean won)	September 30, 2021					
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the period	Comprehensive income for the period
Sino Korea Life Insurance Co., Ltd(China)	690,141	581,108	109,033	139,102	(13,976)	(10,530)
NHN Payco Corporation	334,849	79,143	255,706	28,896	(22,429)	(18,712)
A&D Credit Information Co., Ltd. and other 18 entities	1,975,005	1,360,718	614,287	107,743	635,173	635,173
Hashed Venture Fund I and other 10 entities	330,012	9,475	320,537	14,949	8,144	7,197
Shinhan AIM Infrastructure Fund 9 and other 24 entities	713,680	96,863	616,817	33,450	(23,052)	(22,602)

(in millions of Korean won)	December 31, 2020					
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the year	Comprehensive income for the year
Sino Korea Life Insurance Co., Ltd(China)	₩ 568,178	₩ 452,061	₩ 116,117	₩ 214,602	₩ 1,395	₩ (831)
NHN Payco Corporation	291,812	54,716	237,096	27,698	(34,027)	(34,730)

New Airport Highway Co., Ltd. and other 18 entities	2,105,863	1,451,314	654,549	343,035	64,018	64,018
2018 Hanwha IoT New Technology Venture Fund and another entity	21,225	150	21,075	843	(487)	(487)
ChungNam-Hanwha Small & Medium Company Growth Fund and other 11 entities	214,502	8,206	206,296	24,687	11,687	11,262

11. Loans

Loans as at September 30, 2021 and December 31, 2020, consist of:

(in millions of Korean won)	September 30, 2021	December 31, 2020
Policy loans	₩ 7,992,708	₩ 7,786,369
Loans secured by real estate	9,209,851	9,687,003
Unsecured loans	8,321,235	8,599,813
Loans secured by third-party guarantee	602,917	670,672
Broker's loans	1,155,509	-
Bonds purchased under resale agreements	719,392	-
Other loans	3,193,292	2,955,617
	31,194,904	29,699,474
Deferred loan origination fees and costs	31,446	48,696
Present value discount	(577)	(1,178)
Provision for impairment	(122,628)	(150,725)
	₩ 31,103,145	₩ 29,596,267

Details of broker's loans as at September 30 2021 and December 31, 2020 are as follows:

(in millions of Korean won)	2021	2020
Own credit margin[1]	₩ 256,148	-
Distributed credit margin[2]	113,825	-
Loans secured by securities[3]	785,533	-
Others	2,003	-
	₩ 1,155,509	-

[1]*Own credit margin*

The Group allows credit loans to customers of 90 days who wish to buy stocks through its own funds and charges 4.9% to 8.9% interest per annum of the loan amount. Cash and cash equivalents and securities, which are equivalent to 140% of the loans allowed, are provided as collaterals by the customers.

[2]*Distributed credit loans*

The Group allows credit loans to customers of 90 days who wish to buy stocks through distributed credit and charges 4.9% to 8.9% interest per annum of the loan amount. Cash and cash equivalents and securities, which are equivalent to 140% of the loans allowed, are provided as collaterals by the customers.

[3]*Loans secured by securities*

The Group also allows loans secured by securities for 50% to 70% of the collateral valuation within 90 days for customers who would like to buy stock through credit and charges 6.8% to 8.5% interest per annum of the loan amount. Cash and cash equivalents and securities, which are equivalent to 140% of the loans allowed, are provided as collaterals by the customers.

Movements in the provision for impairment on loans for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020
Beginning balance	₩	150,725	₩	87,898
Provision for impaired receivables during the year		20,927		69,149
Receivables written off during the year		(63,216)		(38,445)
Others [1]		14,192		8,377
Ending balance	₩	122,628	₩	126,979

[1] Effect of unwinding, reversal of provision of impairment and others.

12. Derivative Instruments and Hedge Accounting

Details of derivative instruments as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021					
	Trading purpose		Hedging purpose		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Currency forwards [1]	₩ -	₩ 167,344	₩ 1,009	₩ 206,435	₩ 1,009	₩ 373,779
Currency swaps [1]	83,091	98,503	18,221	495,346	101,312	593,849
Stock index options	2,463	6,089	-	-	2,463	6,089
Credit derivatives	12,541	524	-	-	12,541	524
Bond forwards[1]	-	-	4,617	170,690	4,617	170,690
Interest rate derivative	12,932	20,313	-	-	12,932	20,313
Other derivatives	45,857	19,929	-	-	45,857	19,929
	₩ 156,884	₩ 312,702	₩ 23,847	₩ 872,471	₩ 180,731	₩ 1,185,173

[1] The Group entered into currency forward, currency swap and bond forward contracts to hedge future fair value change risk and cash flow change risk arising from exchange rate of bonds and

changes in interest rate, and risk exposure is expected until March 15, 2039.

(in millions of Korean won)	December 31, 2020					
	Trading purpose		Hedging purpose		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Currency forwards	₩ 183,940	₩ 99	₩ 176,050	₩ 3,352	₩ 359,990	₩ 3,451
Currency swaps	62,800	2,798	617,051	120,353	679,851	123,151
Stock index options	10,688	-	-	-	10,688	-
Credit derivatives	-	-	-	58,078	-	58,078
	₩ 257,428	₩ 2,897	₩ 793,101	₩ 181,783	₩ 1,050,529	₩ 184,680

Details of the commitment amount and related gains and losses from derivative instruments for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021						
	Trading purpose			Hedging purpose			
	Unsettled contractual amount	Valuation gain (PL)	Valuation loss (PL)	Unsettled contractual amount	Valuation gain (PL)	Valuation loss (PL)	Balance of valuation gain (loss) (BS)
Currency forwards	₩ 3,794,602	₩ 7,687	₩ 358,542	₩ 4,799,063	₩ 72,522	₩ 223,604	₩ (85,846)
Currency swaps	3,443,446	37,332	70,316	12,647,990	97,632	786,750	(79,625)
Stock index options	668,502	1,730	3,002	-	-	-	-
Stock index futures	839,412	1,149	4,045	-	-	-	-
Credit derivatives	1,391,131	1,055	3,316	-	-	-	-
Interest rate swaps	8,107,075	2,211	3,004	-	-	-	-
Bond forwards	-	-	-	3,153,298	73	1	(119,385)
Other derivatives	832,985	8,572	8,595	-	-	-	-
	₩ 19,077,153	₩ 59,736	₩ 450,820	₩ 20,600,351	₩ 170,227	₩ 1,010,355	₩ (284,856)

(in millions of Korean won)	2020						
	Trading purpose			Hedging purpose			
	Unsettled contractual amount	Valuation gain (PL)	Valuation loss (PL)	Unsettled contractual amount	Valuation gain (PL)	Valuation loss (PL)	Balance of valuation gain (loss) (BS)
Currency forwards	₩ 2,383,270	₩ 43,686	₩ 14,724	₩ 5,121,276	₩ 48,556	₩ 41,929	₩ (97,901)
Currency swaps	1,097,174	34,812	-	17,191,922	145,001	412,497	(66,842)
Stock index options	12,630	-	-	-	-	-	-
Stock index futures	-	-	2,287	-	-	-	-
Interest rate swaps	665,000	-	1	-	-	-	-
Bond forwards	-	-	-	521,450	-	-	(4,969)
	₩ 4,158,074	₩ 78,498	₩ 17,012	₩ 22,834,648	₩ 193,557	₩ 454,426	₩ (169,712)

Securities provided as collateral in relation to the derivatives as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won, in thousands of USD)

Presentee	Bond type	September 30, 2021	December 31, 2020
Industrial Bank of Korea and others	Government and public bonds and others	₩ 1,384,631	₩ 231,436
Kiwoom Asset Management.Co.,Ltd.	CITNAT 2.875 03/25/23 and others	USD 83,400	

Gains or losses on valuation of derivatives financial instruments for hedge accounting recognized in accumulated other comprehensive income for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021			
	Beginning balance	Valuation	Profit or loss	Ending balance
Gains on valuation of derivatives financial instruments for hedge accounting	₩ (253,536)	₩ (928,237)	₩ 801,839	₩ (379,934)
Effect of deferred tax	65,532			95,077
	₩ (188,004)			₩ (284,857)

The amount expected to be transferred from derivative valuation gain or loss recognized in accumulated other comprehensive income as a profit or loss within 12 months from September 1, 2021 due to its maturity is ₩ 54,542 million (after deferred tax recognized in equity).

(in millions of Korean won)

	2020			
	Beginning balance	Valuation	Profit or loss	Ending balance
Gains on valuation of derivatives financial instruments for hedge accounting	₩ (169,768)	₩ (358,643)	₩ 302,242	₩ (226,169)
Effect of deferred tax	44,013			56,457
	₩ (125,755)			₩ (169,712)

For the nine-month period ended September 30, 2021, the ineffective portion of derivative financial instruments for cash flow hedge recognized in profit or loss is ₩ (-)3,150 million (2020: ₩ (-)1,915 million).

13. Insured Assets

As at September 30, 2021, the Group's building is insured by Hanwha General Insurance Co., Ltd. and others with the coverage of ₩ 1,532,435 million (December 31, 2020: ₩ 1,662,370 million). The Group's movable assets including electronic devices are insured by Hanwha General Insurance Co., Ltd. and others with the coverage of ₩ 35,888 million (December 31, 2020: ₩

33,082 million). The Group carries comprehensive insurance and liability insurance for its vehicles.

14. Property and Equipment, Investment Property, Intangible Assets and Right-of-Use Assets

Details of property and equipment, investment properties, intangible assets and right-of-use assets as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021			
	Acquisition cost	**Accumulated depreciation**	**Accumulated impairment**	**Book amount**
Property and equipment				
Land	₩ 968,927	₩ -	₩ (19,365)	₩ 949,562
Buildings	1,406,275	(498,593)	(17,393)	890,288
Structures	96	(77)	-	18
Vehicles	806	(697)	-	110
Equipment	420,678	(322,958)	-	97,720
Others	20,033	(1,750)	(9,331)	8,951
Construction in progress	2,058	-	-	2,058
	2,818,873	(824,075)	(46,090)	1,948,708
Investment property				
Land	1,576,275	-	(18,703)	1,557,572
Buildings	1,291,921	(409,656)	(8,441)	873,825
Structures	493	(254)	(54)	185
	2,868,689	(409,910)	(27,198)	2,431,582
Intangible assets				
Software	193,394	(141,060)	-	52,237
Research and development (R&D) costs	442,996	(280,937)	-	162,059
Others	1,471,126	(513,648)	(11,876)	945,693
Goodwill	14,792	-	(14,792)	-
	2,122,301	(935,645)	(26,668)	1,159,989
Right-of-use assets				
Leased properties	224,665	(76,699)	-	147,966
Vehicles	3,407	(1,571)	-	1,836
Equipment	2,925	(2,268)	-	657
Others	5,090	(1,303)	-	3,788
	236,088	(81,841)	-	154,247
	₩ 8,045,951	₩ (2,251,471)	₩ (99,955)	₩ 5,694,525

(in millions of Korean won)	December 31, 2020			
	Acquisition cost	**Accumulated depreciation**	**Accumulated impairment**	**Book amount**
Property and equipment				
Land	₩ 935,600	₩ -	₩ (20,057)	₩ 915,543
Buildings	1,350,019	(458,160)	(18,382)	873,477
Structures	96	(74)	-	21

Vehicles	813	(742)	-	71
Equipment	395,285	(311,163)	-	84,122
Others	18,842	(1,359)	(9,331)	8,152
Construction in progress	20,315	-	-	20,315
	2,720,969	(771,498)	(47,770)	1,901,702
Investment property				
Land	1,628,208	-	(19,912)	1,608,295
Buildings	1,360,777	(409,177)	(9,468)	942,132
Structures	493	(246)	(54)	193
	2,989,478	(409,423)	(29,435)	2,550,620
Intangible assets				
Software	170,898	(128,991)	-	41,907
Research and development (R&D) costs	400,060	(259,709)	-	140,351
Others	1,438,434	(474,842)	(11,876)	951,716
Goodwill	15,166	-	(15,166)	-
	2,024,557	(863,542)	(27,042)	1,133,974
Right-of-use assets				
Leased properties	148,789	(73,856)	-	74,934
Vehicles	2,871	(1,517)	-	1,354
Equipment	2,667	(1,640)	-	1,027
Others	4,277	(641)	-	3,635
	158,604	(77,654)	-	80,950
	₩ 7,893,609	₩ (2,122,117)	₩ (104,246)	₩ 5,667,246

Changes in property and equipment, investment properties, intangible assets and right-of-use assets for the nine-month periods ended September 30, 2021 and 2020, are summarized as follows:

(in millions of Korean won)	2021								
	Beginning balance	**Acquisition and others**	**Disposal/ cancellation**	**Transfer**	**Depreciation**	**Impairment**	**Changes in scope of consolidation**	**Others [1]**	**Ending balance**
Property and equipment									
Land	915,543	1,879	(5,579)	37,049	-	-	670	-	949,562
Buildings	873,477	5,252	(1,354)	29,888	(22,899)	-	5,886	38	890,288
Structures	21	-	-	(185)	(3)	-	-	185	18
Vehicles	71	70	-	-	(32)	-	-	1	110
Equipment	84,122	35,325	(2,862)	1,846	(32,836)	-	9,311	2,814	97,720
Others	8,152	79	-	-	(160)	-	815	65	8,951
Construction in progress	20,315	8,492	-	(26,756)	-	-	-	8	2,059
	1,901,701	51,097	(9,795)	41,842	(55,930)	-	16,682	3,111	1,948,708
Investment property									
Land	1,608,295	-	(15,202)	(37,048)	-	-	79	1,448	1,557,572
Buildings	942,132	200	(40,886)	(2,591)	(30,149)	-	-	5,119	873,825
Structures	193	-	(193)	185	-	-	-		185
	2,550,620	200	(56,281)	(39,454)	(30,149)	-	79	6,567	2,431,582
Intangible assets									
Software	41,831	19,634	-	2,084	(11,315)	-	-	3	52,237

Research and development (R&D) cost	140,351	43,365	(2,371)	6,161	(25,576)	-	-	130	162,060
Others	951,792	3,832	(2,083)	(947)	(39,463)	-	32,484	78	945,693
	1,133,974	66,831	(4,454)	7,298	(76,354)	-	32,484	211	1,159,986
Right-of-use assets									
Leased properties	74,934	107,970	(33,217)	(1,240)	(41,579)	-	41,000	98	147,966
Vehicles	1,354	1,382	(496)	-	(730)	-	222	104	1,836
Equipment	1,027	6	-	-	(615)	-	252	(13)	657
Others	3,635	-	-	-	(845)	-	905	93	3,788
	80,950	109,358	(33,713)	(1,240)	(43,769)	-	42,379	282	154,247
	5,667,245	227,486	(104,243)	8,446	(206,202)	-	91,624	10,171	5,694,525

[1] Includes movements due to exchange rate fluctuations and others.

(in millions of Korean won)	2020								
	Beginning balance	**Acquisition and others**	**Disposal/ cancellation**	**Transfer**	**Depreciation**	**Impairment**	**Changes in scope of consolidation**	**Others** [1]	**Ending balance**
Property and equipment									
Land	934,497		(752)	(92,923)					840,822
Buildings	777,020	1,227	(2,483)	58,182	(23,210)			22	810,758
Structures	273	464	-	(196)	(8)			(3)	530
Vehicles	103		(11)	-	(12)			(2)	78
Equipment	65,512	25,260	(405)	1,020	(26,043)	(27)		12,435	77,752
Others	8,455	383	(2)	-	(210)			8	8,634
Construction in progress	69,186	19,798	-	(73,301)	-			(6)	15,677
	1,855,046	47,132	(3,653)	(107,218)	(49,483)	(27)		12,454	1,754,251
Investment property									
Land	1,511,647	-	64	93,483	-		104,188	304	1,709,686
Buildings	1,041,891	1,309	(915)	14,480	(30,305)		17,812	1,581	1,045,853
Structures		-	-	196	-			-	196
	2,553,538	1,309	(851)	108,159	(30,305)		122,000	1,885	2,755,735
Intangible assets									
Software	24,697	14,578	-	6,566	(8,764)	-	-	65	37,142
Research and development (R&D) cost	94,447	49,451	-	12,333	(18,529)	-	-	-	137,702
Others	1,043,408	4,614	(6,392)	(6,566)	(66,853)	-	-	6	968,217
	1,162,552	68,643	(6,392)	12,333	(94,146)	-	-	71	1,143,060
Right-of-use assets									
Leased properties	75,324	72,089	(7,068)	(21)	(39,958)	-	-	(12,582)	87,784
Vehicles	1,616	827	(98)	-	(727)	-	-	-	1,618
Equipment	1,839	12	-	-	(615)	-	-	-	1,236
Others	-	4,277	-	-	(428)	-	-	-	3,849
	78,779	77,205	(7,166)	(21)	(41,728)	-	-	(12,582)	94,487
	5,649,915	₩ 194,289	₩ (18,062)	₩ 13,253	₩ (215,662)	₩ (27)	₩ 122,000	₩ 1,828	₩ 5,747,532

[1] Includes movements due to exchange rate fluctuations and others.

Rental income and expenses related to investment property for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)		**2021**		**2020**
Rental income	₩	135,071	₩	121,581
Rental expenses		(69,317)		(97,664)

As at September 30, 2021, with regard to the Group's land and buildings with respect to the leasehold deposit, the leasehold rights were set at ₩ 123,708 million (December 31, 2020: ₩ 126,827 million) and ₩ 15,240 million (December 31, 2020: ₩ 15,452 million), respectively.

15. Leases

The consolidated statement of financial position shows the following amounts relating to leases:

(in millions of Korean won)		**September 30, 2021**		**December 31, 2020**
Right-of-use assets				
Properties	₩	147,966	₩	74,934
Vehicles		1,836		1,354
Equipment		657		1,027
Others		3,788		3,635
	₩	154,247	₩	80,950
Lease liabilities[1]				
Properties	₩	149,445	₩	74,993
Vehicles		1,421		1,364
Equipment		3,436		1,004
Others		-		3,673
	₩	154,303	₩	81,034

[1] Included in the line item 'other financial liabilities' in the consolidated statements of financial position.

Additions to the right-of-use assets during the nine-month period ended September 30, 2021 were ₩ 109,360 million.

As at September 30, 2021, the contractual maturities of the Group's lease liabilities were as follows:

(in millions of Korean won)	**September 30, 2021**											
	3 months or less		**1 year or less**		**3 years or less**		**5 years or less**		**Over 5 years**		**Total contractual cash flows**	
Lease liabilities	₩	18,062	₩	41,224	₩	71,457	₩	17,599	₩	7,520	₩	155,861

Amounts recognized in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

(in millions of Korean won)		**2021**		**2020**
Depreciation of right-of-use assets				
Properties	₩	41,579	₩	39,958

Vehicles		730		727
Equipment		615		615
Others		845		428
	₩	43,769	₩	41,728
Interest expense relating to lease liabilities (included in finance costs)	₩	1,129	₩	1,190
Expense relating to leases of low-value assets that are not short-term leases (included in business expenses)		361		419

The total cash outflow for leases during the nine-month period ended September 30, 2021 was ₩ 45,121 million (2020: ₩ 40,217 million).

16. Other Financial Assets

Details of other financial assets as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)		**September 30, 2021**		**December 31, 2020**
Insurance receivables	₩	419,738	₩	378,410
Non-trade receivables		1,037,932		160,246
Accrued income		967,929		981,599
Lease bond		952		-
Deposits received for guarantees		139,796		111,481
Other receivables		3,484		4,549
Present value discount		(2,329)		(1,876)
Provision for impairment		(96,851)		(98,339)
	₩	2,470,651	₩	1,536,070

Movements in the provision for impairment of other financial assets for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)		**2021**		**2020**
Beginning balance	₩	98,339	₩	109,795
Provision for impaired receivables during the year		627		3,995
Receivables written off during the year		(2,241)		(16,345)
Others [1]		126		758
	₩	96,851	₩	98,203

[1] Effect of unwinding, reversal of provision of impairment and others.

17. Other Assets

Details of other assets as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021	December 31, 2020
Reinsurance assets	₩ 685,120	₩ 646,448
Deferred policy acquisition costs	2,287,778	2,335,061
Prepaid expenses	41,726	12,344
Prepaid value added tax	197	100
Advance payments	44,341	5,189
Compensation receivables	25,522	26,898
Others	667	253
	₩ 3,085,351	₩ 3,026,293

Changes in deferred policy acquisition costs for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021					
	Individual insurance					
	Annuity	Whole life, Term life	Endowment	Group insurance	Non-life insurance	Total
Beginning balance	₩ 99,520	₩ 1,464,919	₩ 14,109	₩ 1,233	₩ 755,280	₩ 2,335,061
Deferral	22,264	536,735	5,009	382	309,718	874,108
Amortization	(43,396)	(564,957)	(11,171)	(454)	(301,414)	(921,392)
Ending balance	₩ 78,388	₩ 1,436,697	₩ 7,947	₩ 1,161	₩ 763,584	₩ 2,287,777

(in millions of Korean won)	2020					
	Individual insurance					
	Annuity	Whole life, Term life	Endowment	Group insurance	Non-life insurance	Total
Beginning balance	₩ 146,596	₩ 1,456,545	₩ 22,280	₩ 1,580	₩ 681.181	₩ 2,308,182
Deferral	26,604	582,430	13,263	308	335,241	957.846
Amortization	(63,851)	(578,522)	(14,013)	(566)	(272,493)	(929,445)
Ending balance	₩ 109,349	₩ 1,460,453	₩ 21,530	₩ 1,322	₩ 743,929	₩ 2,336,583

Changes in compensation receivables for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			
	General	Long-term	Automobile	Total
Beginning balance	₩ 2,486	₩ 7,564	₩ 16,848	₩ 26,898
Decrease	383	891	(2,650)	(1,376)
Ending balance	₩ 2,869	₩ 8,455	₩ 14,198	₩ 25,522

(in millions of Korean won)	2020							
	General		Long-term		Automobile		Total	
Beginning balance	₩	3,430	₩	8,643	₩	16,942	₩	29,015
Increase		(799)		1,193		(101)		293
Ending balance	₩	2,631	₩	9,836	₩	16,841	₩	29,308

18. Insurance Contract Liabilities

Details of insurance liabilities as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021		December 31, 2020	
Premium reserve	₩	99,999,315	₩	97,144,588
Reserve for outstanding claims		3,985,421		3,780,677
Reserve for unearned premium		785,286		748,551
Reserve for minimum guaranteed benefit		1,900,564		1,787,461
Reserves for policyholders' dividends		294,264		317,011
Reserve for policyholders' profit dividends		113,457		83,798
Reserve for losses on dividend insurance		37,725		37,135
	₩	107,116,032	₩	103,899,221

19. Policyholders' Equity Adjustment

Details of policyholders' equity adjustments as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)		**September 30, 2021**		**December 31, 2020**
Changes in the fair value of available-for-sale financial assets	₩	373,213	₩	1,111,540
Other comprehensive income of associates and subsidiaries		(269)		(1,207)
Gain on revaluation of property and equipment		94,002		97,969
	₩	466,946	₩	1,208,302

20. Financial Liabilities at Fair Value through Profit or Loss

Details of financial liabilities at fair value through profit or loss as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)		**September 30, 2021**		**December 31, 2020**
Securities sold	₩	322,517	₩	-
Equity-linked securities sold		311,788		-
Derivative-linked securities sold		816,319		-
	₩	1,450,624	₩	-

21. Borrowings and Debentures

Details of Borrowings and Debentures as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	**September 30, 2021**	**December 31, 2020**
Borrowings	6,104,466	74,628
Debentures	1,086,789	477,929
	7,191,255	552,557

Details of borrowings as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

Creditor	**Type**	**Interest rate as at September 30, 2021**		**September 30, 2021**		**December 31, 2020**
Individual customers and others	Bonds sold under repurchase	0.08%~2.50%	₩	3,670,422	₩	-

	agreements			
KSFC	KSFC borrowings	1.07% ~ 1.16%	363,948	-
SK Securities.Co., LTD.	Commercial paper	0.84% ~1.84%	500,000	-
KB kookmin bank and others	Bank borrowings	1.73%~2.78%	₩ 219,056	₩ -
KTB Investment & Securities Co., Ltd. and others	Short-term bonds	0.94% ~ 1.95%	₩ 1,241,985	₩ 74,628
KB Securities co.Ltd. and others	Mortgage loan	1.7 %~ 3.3%	109,063	-
			6,104,474	74,628
Discount			(8)	-
			6,104,466	74,628

[1] Certain investment properties, receivables and deposit and installment deposit of the Group amounting to ₩ 86,556 million are provided as collateral in relation to above borrowings, and as for KB Securities' stock mortgage loans, 22,727,273 shares of Hanwha Investment & Securities Co., Ltd. are set as collateral.

Details of debentures as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

Category [1]	maturity date	Interest rate as at September 30, 2021	September 30, 2021	December 31, 2020	Principal and interest payment method
8th public bonds	June 7, 2023	4.35%	₩ 128,000	₩ 128,000	Every three months payment / Lump sum payment
11th public bonds	October 31, 2028	4.50%	350,000	350,000	Every three months payment / Lump sum payment
24th public bonds[2]	December 10, 2021	5.00%	40,000	-	Every three months payment / Lump sum payment
25-1th public bonds[2]	October 18, 2022	2.16%	220,000	-	Every three months payment / Lump sum payment
25-2th public bonds[2]	October 18, 2024	2.56%	30,000	-	Every three months payment / Lump sum payment
26-1th public bonds[2]	April 9, 2024	1.85%	220,000	-	Every three months payment / Lump sum payment
26-2th public bonds[2]	April 9, 2026	2.43%	100,000	-	Every three months payment / Lump sum payment
Total : par value			1,088,000	478,000	
Discount on debentures and others			(1,211)	(71)	
Book amount			₩ 1,086,789	₩ 477,929	

[1] It is publicly offered non-guaranteed subordinate corporate bonds issued by Hanwha General Insurance Co., Ltd., a subsidiary.

[2] It is publicly offered non-guaranteed private bonds issued by Hanwha Investment & Securities Co., Ltd. a subsidiary.

Details of contractual remaining maturity of borrowings and as at September 30, 2021 and

December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021			
	Less than 1 year	**Between 1 and 2 years**	**Over 2 years**	**Total**
Expected repayment	₩ 6,113,841	₩ 372,844	₩ 842,711	₩ 7,329,396

(in millions of Korean won)	December 31, 2020			
	Less than 1 year	**Between 1 and 2 years**	**Over 2 years**	**Total**
Expected repayment	₩ 77,698	₩ 21,908	₩ 595,874	₩ 695,480

22. Separate Accounts

Separate account assets and liabilities as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	**September 30, 2021**	**December 31, 2020**
Separate account assets before netting	₩ 26,092,291	₩ 25,988,479
Separate account payables before netting	(118,248)	(666,337)
Separate account assets after netting [1]	₩ 25,974,043	₩ 25,322,142
Separate account liabilities before netting	₩ 26,096,426	₩ 25,907,283
Separate account receivables before netting	(133,924)	(145,642)
Separate account liabilities after netting [1]	₩ 25,962,502	₩ 25,761,641
Other comprehensive income of separate accounts	₩ (4,135)	₩ 81,196

[1] Before elimination of intra-group transactions.

Statements of financial position of separate accounts as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	**September 30, 2021**	**December 31, 2020**
Assets		
Cash and deposits	₩ 645,938	₩ 460,097
Securities	22,490,391	21,949,882
Loans	2,486,474	2,158,951
Other assets	351,241	753,212

(in millions of Korean won)		September 30, 2021		December 31, 2020
Other receivables from general account		118,247		666,337
	₩	26,092,291	₩	25,988,479
Liabilities				
Other liabilities	₩	1,529,718	₩	800,842
Other payables from general account		133,924		145,642
Insurance contract liabilities		16,682,865		17,379,085
Investment contract liabilities		7,749,919		7,581,714
		26,096,426		25,907,283
Accumulated other comprehensive income		(4,135)		81,196
	₩	26,092,291	₩	25,988,479

Statements of comprehensive income of separate accounts for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021		2020	
	Guaranteed Interest contracts	Investment -linked fund	Guaranteed Interest contracts	Investment -linked fund
Revenue[1]:				
Premium income	₩ -	₩ 1,237,609	₩ -	₩ 1,488,236
Interest income	114,038	145,933	102,007	155,693
Dividend income	58	30,591	2,087	16,228
Commission income	250	622	181	827
Gain on disposal of securities	4,976	447,207	12,523	473,425
Gain on valuation of securities	1,455	261,560	2,872	501,812
Gain on settlement of derivatives	-	172,855	640	181,706
Gain on valuation of derivatives	3,487	2,676	3,069	16,184
Gain on foreign currency transaction	19,081	4,242	12,689	4,848
Other income	2,362	20,607	382	42,740
	₩ 145,707	₩ 2,323,902	₩ 136,450	₩ 2,881,699
Expenses[1]:				
Change in reserves for insurance contracts and interest expenses in investment contracts	₩ 99,936	₩ (694,824)	₩ 98,438	₩ (16,036)
Insurance claims paid	2,422	1,439,751	2,397	1,347,941
Minimum guarantee fee	-	63,328	-	60,396
Separate account commission	18,278	642,907	16,077	661,513
Commission expense	-	22,077	40	21,755
Taxes and dues	-	11,463	46	11,534
Loss on disposal of securities	38	266,537	2,769	422,941
Loss on valuation of securities	497	384,832	41	139,277

Loss on derivatives transactions		5,123		148,644		8,793		207,807
Loss on valuation of derivatives		17,602		25,478		7,670		19,234
Loss on foreign currency transaction		29		1,113		100		1,755
Other expenses		1,782		12,596		79		3,582
	₩	145,707	₩	2,323,902	₩	136,450	₩	2,881,699

[1] Before elimination of intra-group transactions.

Revenue and expenses on performance-based trust accounts (variable insurance contract) are not reflected in the consolidated statements of comprehensive income of general account. However, revenue and expenses on trust accounts guaranteeing the repayment of principal are accounted for as separate account revenue and expenses in the consolidated statements of comprehensive income of general account.

Other comprehensive income after tax from the trust accounts guaranteeing the repayment of principal for the nine-month periods ended September 30, 2021 and 2020, is (-) 85,331 million and ₩ 33,229 million, respectively.

As at September 30, 2021, equity securities of ₩ 150,309 million (December 31, 2020: ₩ 69,146 million) and debt securities of ₩ 1,724,646 million (December 31, 2020: ₩ 683,290 million), out of separate accounts assets, are pledged as collateral in relation to derivative transactions and repurchase agreement transactions of separate accounts.

23. Net Defined Benefit Liabilities and Assets

Details of net defined benefit liabilities and assets recognized in the consolidated statements of financial position as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)		**September 30, 2021**		**December 31, 2020**
Present value of defined benefit obligations	₩	521,312	₩	503,651
Fair value of plan assets		(225,170)		(341,329)
Net defined benefit assets		(1,029)		(4,714)
Net defined benefit liabilities	₩	297,171	₩	167,036

Movements in the net defined benefit liabilities (assets) for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)		**2021**				
		Present value of defined benefit obligations		**Plan assets**		**Net defined benefit liabilities**
Beginning balance	₩	503,651	₩	(341,330)	₩	162,321
Amount recognized as profit or loss		-		-		-

Current service cost	40,270	-	40,270
Interest expense (income)	8,571	(8,475)	96
	48,841	(8,475)	40,366
Remeasurements:			
Return on plan assets	-	873	873
Actuarial gain from change in financial assumptions	(12,752)	-	(12,752)
Actuarial gain and loss due to adjustment of the retirement age	(1,295)	-	(1,295)
	(14,047)	873	(13,174)
Contributions paid by the Group	-	(4,423)	(4,423)
Benefit payments	(59,974)	46,995	(12,979)
Others[1]	-	106,011	106,011
Transfer from and to associates	(56)	(598)	(654)
Operating management fees	-	157	157
Changes in scope of consolidation and others	42,897	(24,381)	18,516
Ending balance	₩ 521,312	₩ (225,170)	₩ 296,142

[1] Include intra-group transactions with Hanwha Life Financial Service. Co, Ltd.

(in millions of Korean won)	2020		
	Present value of defined benefit obligations	**Plan assets**	**Net defined benefit liabilities**
Beginning balance	₩ 512,590	₩ (338,788)	₩ 173,802
Amount recognized as profit or loss			
Current service cost	36,514	-	36,513
Interest expense (income)	10,323	(8,129)	2,194
	46,837	(8,129)	38,708
Remeasurements	82	12	94
Contributions paid by the Group	-	(1,877)	(1,877)
Benefit payments	(56,805)	29,216	(27,589)
Transfer from and to associates	2,309	(643)	1,666
Operating management fees	(20)	56	35
Changes in scope of consolidation and others	(38)	849	811
Ending balance	₩ 504,955	₩ (319,304)	₩ 185,651

Plan assets as at September 30, 2021 and December 31, 2020, consist of:

(in millions of Korean won)	September 30, 2021		December 31, 2020	
	Amount	**Composition (%)**	**Amount**	**Composition (%)**

Insurer's guaranteed interest deposits and others	₩	224,470	99.69	₩	340,269	99.69
Contributions to National Pension Fund		700	0.31		1,059	0.31
	₩	225,170	100.00	₩	341,328	100.00

The actual expenses on defined contribution retirement pension for the nine-month periods ended September 30, 2021 and 2020, are ₩ 6,784 million and ₩ 6,983 million, respectively.

24. Provisions

Changes in provisions for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021					
	Beginning balance	Increase	Decrease	Transfer	Changes in scope of consolidation	Ending balance
Provision for restoration	₩ 16,294	₩ 258	₩ (10,156)	₩ 4,577	₩ 2,337	₩ 13,310
Others	59,917	14	(192)	2,983	-	62,722
	₩ 76,211	₩ 272	₩ (10,348)	₩ 7,560	₩ 2,337	₩ 76,032

(in millions of Korean won)	2020				
	Beginning balance	Increase	Decrease	Transfer	Ending balance
Provision for restoration	₩ 15,850	₩ 381	₩ (1,142)	₩ 945	₩ 16,034
Others	622	964	-	-	1,586
	₩ 16,472	₩ 1,345	₩ (1,142)	₩ 945	₩ 17,620

25. Other Financial Liabilities

Details of other financial liabilities as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021	December 31, 2020
Insurance claims payables	₩ 440,958	₩ 370,048
Other payables	1,009,189	224,253
Accrued expenses	501,077	358,102
Deposits received	129,354	139,194
Lease liabilities	154,304	81,034
Investor's Deposit	799,369	1,931
Import margin money	14,180	-
Others	847,572	736,209
	₩ 3,896,003	₩ 1,910,771

26. Other Liabilities

Details of other liabilities as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)		**September 30, 2021**		**December 31, 2020**
Value-added tax withheld	₩	6,007	₩	4,138
Advance received		18,791		14,517
Unearned revenues		17,372		10,390
Premium received in advance		196,129		174,287
Other		2,330		313
	₩	240,629	₩	203,645

27. Share Capital and Additional Paid-in Capital

Details of share capital as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won except for par value)		**September 30, 2021**		**December 31, 2020**
Number of shares authorized		1,500,000,000 shares		1,500,000,000 shares
Par value	₩	5,000	₩	5,000
The number of ordinary shares issued		868,530,000 shares		868,530,000 shares
Share capital	₩	4,342,650	₩	4,342,650

Details of additional paid-in capital as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)		**September 30, 2021**		**December 31, 2020**
Share premium	₩	485,281	₩	485,281
Treasury shares		(924,085)		(924,085)
Share-based payments		2,836		560
Other		(16,860)		(15,873)
	₩	(452,828)	₩	(454,117)

Among subsidiaries, Hanwha Investment & Securities is operating a system that delays management performance by applying amendments to the best standards of the financial investment company performance compensation system and is reflected in non-controlling shares in its consolidated financial statements.

Under the resolution of the shareholders' meeting and the board of directors during the current year, has granted the Restricted Stock Unit ("RSU"), as part of annual bonus, to certain executives and employees with a condition of remaining in employment and providing services during their respective vesting period. 50% of the amount granted is given in the Group's shares and the remaining portions are paid in cash based on the stock value. Details of the RSU granted as at September 30, 2021, are as follows:

Hanwha Life Insurance Co., Ltd.

	2020	**2021**
Grant date	2020-03-23	2021-03-15
Exercise period	After ten years from the grant date	After ten years from the grant date
Service period	2020	2021
Total number of shares granted	625,928 shares	705,726 shares
Fair value of shares granted	₩ 560 million（₩ 895 per share）	₩ 2,276 million（₩ 3,225 per share）
Share-based payment expenses recognized during the nine-month period		
Shares	-	₩ 2,276 million
Cash based on the stock value[1]	₩ 732 million	₩ 2,548 million
	₩ 732 million	₩ 4,824 million

Hanwha General Insurance Co., Ltd.

	2021
Grant date	2021-03-18
Exercise period	After ten years from the grant date
Service period	2021
Total number of shares granted	118,489 shares
Fair value of shares granted	₩ 507 million（₩ 4,280 per share）
Share-based payment expenses recognized during the nine-month period	
Shares	₩ 507 million
Cash based on the stock value[1]	₩ 534 million
	₩ 1,041 million

Hanwha Investment & Securities Co., Ltd.

	2020	**2021**
Grant date	2020-03-24	2021-03-24
Exercise period	After ten years from the grant date	After ten years from the grant date
Service period	2020	2021
Total number of shares granted	230,997 shares	218,691 shares
Fair value of shares granted	₩ 268 million（₩ 1,160	₩ 634 million（₩ 2,900 per

	per share）	share）
Share-based payment expenses recognized during the nine-month period		
Shares	-	₩ 634 million
Cash based on the stock value[1]	₩ 499 million	₩ 952 million
	₩ 499 million	₩ 1,587 million

[1] As at September 30, 2021, other financial liabilities amounting to ₩ 7,299 million are recorded in relation to the above cash based on the stock value.

28. Hybrid Capital Instruments

Details of hybrid capital instruments as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

Category	Issuance date	Maturity date	Annual interest rate	September 30, 2021	December 31, 2020
Bearer, non-guarantee, coupon hybrid capital instruments	April 13, 2017	April 13, 2047	4.582%	₩ 500,000	₩ 500,000
Hybrid capital instruments in foreign currency	April 23, 2018	April 23, 2048	4.700%	1,067,300	1,067,300
Bearer, non-guarantee, coupon hybrid capital instruments	July 4, 2019	July 4, 2049	3.690%	500,000	500,000
Issuance cost				(10,956)	(10,956)
				₩ 2,056,344	₩ 2,056,344

The hybrid capital instruments are puttable by the Parent Company five years after the issuance date and eligible for one-time adjustment of interest rate 10 years after the issuance date. Upon the maturity date, the hybrid capital instruments are eligible for extension.

29. Other Components of Equity

Details of other components of equity as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021	December 31, 2020
Changes in the fair value of available-for-sale	₩ 499,782	₩ 2,524,759

financial assets				
Losses on valuation of derivatives financial instruments for hedge accounting		(284,857)		(188,004)
Share of other comprehensive income of associates		(871)		(6,027)
Other comprehensive income of separate accounts		(4,115)		81,196
Gain on revaluation of property and equipment		410,286		411,044
Remeasurements of defined benefit obligations		(120,558)		(130,128)
Gain (losses) on foreign currency translation of foreign operations		37,751		(11,858)
	₩	537,418	₩	2,680,982

30. Retained Earnings

Retained earnings as at September 30, 2021 and December 31, 2020, consist of:

(in millions of Korean won)		**September 30, 2021**		**December 31, 2020**
Legal reserve	₩	128,592	₩	126,338
Retained earnings before appropriation and others		4,636,649		3,914,232
	₩	4,765,241	₩	4,040,570

Adjusted profit (loss) after provision of reserve for credit losses and catastrophe reserves for the nine-month periods ended September 30, 2021 and 2020, is as follows:

(in millions of Korean won except per share amounts)		**2021**		**2020**
Profit attributable to the ordinary equity holders of the Parent Company	₩	814,323	₩	283,945
Dividends paid to holders of hybrid capital instruments		(71,792)		(73,960)
		742,531		209,985
Provision (reversal) of reserve for credit losses		(6,021)		21,977
Provision (reversal) of catastrophe reserves		8,616		8,243
Adjusted profit for the year after provision	₩	739,937	₩	179,765
Adjusted earnings per share after provision (reversal)	₩	983	₩	239

31. Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021							
	Interest income (expense)	Dividends income	Commission income	Gain (loss) on valuation	Gain (loss) on disposal	Reversal of impairment loss (impairment loss)	Gain (loss) on foreign currency transaction	Total
Cash and cash equivalents	₩ 4,450	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 11,977	₩ 16,427
Loans and receivables								
Deposits	20,654	-	-	-	-	-	15,015	35,669
Loans	942,800	-	6,187	-	(116)	(20,927)	4,122	932,066
Other financial assets	3,859	-	427	-	-	(627)	33,805	37,464
Securities								
Financial assets at fair value through profit or loss	60,210	124,425	-	166,259	24,128	-	558,393	933,415
Available-for-sale financial assets	1,182,900	312,383	3,955	-	603,337	(12,846)	1,299,477	3,389,206
Derivative Instruments	6	-	-	(1,231,211)	(590,450)	-	(762)	(1,822,417)
Financial liabilities at fair value through profit or loss	-	-	-	20,042	(1,372)	-	-	18,670
Borrowings and Debentures	(33,543)	-	-	-	-	-	(9,312)	(42,855)
Other financial liabilities	(1,869)	-	-	-	-	-	(310)	(2,179)
	₩ 2,179,467	₩ 436,808	₩ 10,569	₩ (1,044,910)	₩ 35,527	₩ (34,400)	₩ 1,912,405	₩ 3,495,466

(in millions of Korean won)	2020							
	Interest income	Dividends income	Commission income	Gain (loss) on valuation	Gain (loss) on disposal	Reversal of impairment loss (impairment loss)	Gain (loss) on foreign currency transaction	Total
Cash and cash equivalents	₩ 5,131	₩ -	₩ -	₩ -	₩ -	₩ -	₩ (972)	₩ 4,159
Loans and receivables								-
Deposits	22,934	-	-	-	-	-	10,851	33,785
Loans	984,925	-	7,644	-	(1,869)	(69,149)	1,920	923,471
Other financial assets	3,723	-	893	-	-	(3,995)	569	1,190
Securities								
Financial assets at fair value through profit or loss	47,849	96,523	-	52,809	(157)	-	7,407	204,431
Available-for-sale financial assets	1,247,080	273,552	1,418	-	691,299	(164,541)	746,955	2,795,763
Derivative	-	-	-	(199,384)	(701,894)	-	-	(901,278)

Instruments								
Other financial liabilities	-	-	-	-	-	-	988	988
	₩ 2,311,642	₩ 370,075	₩ 9,955	₩ (146,575)	₩ (12,621)	₩ (237,685)	₩ 767,718	₩ 3,062,509

Net gains or losses on each category of financial instruments for the three-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021							
	Interest income (expense)	**Dividends income**	**Commission income**	**Gain (loss) on valuation**	**Gain (loss) on disposal**	**Reversal of impairment loss (impairment loss)**	**Gain (loss) on foreign currency transaction**	**Total**
Cash and cash equivalents	₩ 1,987	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 7,422	₩ 9,409
Loans and receivables								
Deposits	10,221	-	-	-	-	-	7,641	17,862
Loans	329,250	-	2,884	-	(13)	(10,043)	1,956	324,034
Other financial assets	1,395	-	139	-	-	266	17,996	19,796
Securities								
Financial assets at fair value through profit or loss	25,916	42,411	-	7,753	4,807	-	263,116	344,003
Available-for-sale financial assets	402,984	110,533	2,010	-	184,651	(3,194)	692,068	1,389,052
Derivative Instruments	6	-	-	(669,809)	(246,608)	-	(762)	(917,173)
Financial liabilities at fair value through profit or loss	-	-	-	20,042	(1,372)	-		18,670
Borrowings and Debentures	(33,543)	-	-	-	-	-	(9,312)	(42,855)
Other financial liabilities	(1,869)	-	-	-	-	-	(236)	(2,105)
	₩ 736,347	₩ 152,944	₩ 5,033	₩ (642,014)	₩ (58,535)	₩ (12,971)	₩ 979,889	₩ 1,160,693

(in millions of Korean won)	2020							
	Interest income	**Dividends income**	**Commission income**	**Gain (loss) on valuation**	**Gain (loss) on disposal**	**Reversal of impairment loss (impairment loss)**	**Gain (loss) on foreign currency transaction**	**Total**
Cash and cash equivalents	₩ 1,017	₩ -	₩ -	₩ -	₩ -	₩ -	₩ (2,329)	₩ (1,312)
Loans and receivables								
Deposits	7,127	-		-	-	-	(4,225)	2,902
Loans	327,663	-	1,938	-	(236)	(10,407)	(2,966)	315,992
Other financial assets	1,210	-	276	-	-	1,575	(14,265)	(11,204)
Securities								
Financial assets at fair value through profit or loss	16,182	24,621	-	90,042	4,055	-	(72,152)	62,748

Available-for-sale financial assets	466,588	92,102	1,277	-	185,292	(109,835)	(319,027)	316,397
Derivative Instruments	-	-	-	406,258	(82,095)	-	-	324,163
Other financial liabilities	-	-	-	-	-	-	213	213
	₩ 819,787	₩ 116,723	₩ 3,491	₩ 496,300	₩ 107,016	₩ (118,667)	₩ (414,751)	₩ 1,009,899

32. Insurance Premium Income

Insurance premium income for the three-month and nine-month periods ended September 30, 2021 and 2020, is as follows:

(in millions of Korean won)		2021		2020	
		Three months	Nine months	Three months	Nine months
Life Insurance					
Individual insurance	Annuity	₩ 587,725	₩ 1,771,648	₩ 565,691	₩ 1,660,255
	Whole life, Term life insurance	1,525,578	4,571,743	1,498,387	4,445,947
	Endowment insurance	766,300	1,285,842	529,812	1,563,441
Group insurance		22,753	73,782	20,452	72,626
		2,902,356	7,703,015	2,614,342	7,742,269
Non-life Insurance					
General		127,447	415,567	121,806	374,324
Long-term		1,168,280	3,542,596	1,154,615	3,487,588
Automobile		208,634	624,336	197,833	586,689
		1,504,361	4,582,499	1,474,254	4,448,601
		₩ 4,406,717	₩ 12,285,514	₩ 4,088,596	₩ 12,190,870

33. Reinsurance Income and Expenses

Reinsurance income and expenses for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021					
	Reinsurance income			Reinsurance expense		
	Reinsurance claims recovered	Reinsurance commission income	Total	Reinsurance claims paid	Reinsurance commission expense	Total
Life Insurance						
Individual insurance	₩ 125,692	₩ 20,840	₩ 146,532	₩ (155,819)	₩ -	₩ (155,819)
Group insurance	862	-	862	(350)	-	(350)
	126,554	20,840	147,394	(156,169)	-	(156,169)
Non-life Insurance						
General	88,488	41,972	130,460	(217,581)	(4,399)	(221,980)

Long-term	578,448	(31,458)	546,990	(577,310)	-	(577,310)
Automobile	107,761	40,430	148,191	(156,221)	-	(156,221)
	774,697	50,944	825,641	(951,112)	(4,399)	(955,511)
	₩ 901,251	₩ 71,784	₩ 973,035	₩ (1,107,281)	₩ (4,399)	₩ (1,111,680)

(in millions of Korean won)	2020					
	Reinsurance income			**Reinsurance expense**		
	Reinsurance claims recovered	**Reinsurance commission income**	**Total**	**Reinsurance claims paid**	**Reinsurance commission expense**	**Total**
Life Insurance						
Individual insurance	₩ 112,745	₩ 20,520	₩ 133,265	₩ (141,032)	₩ -	₩ (141,032)
Group insurance	882	-	882	(558)	-	(558)
	113,627	20,520	134,147	(141,590)	-	(141,590)
Non-life Insurance						
General	109,960	39,742	149,702	(203,245)	(5,093)	(208,338)
Long-term	527,713	(29,487)	498,226	(536,956)	-	(536,956)
Automobile	131,982	22,088	154,070	(116,100)	-	(116,100)
	769,655	32,343	801,998	(856,301)	(5,093)	(861,394)
	₩ 883,282	₩ 52,863	₩ 936,145	₩ (997,891)	₩ (5,093)	₩ (1,002,984)

Reinsurance income and expenses for the three-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021					
	Reinsurance income			**Reinsurance expense**		
	Reinsurance claims recovered	**Reinsurance commission income**	**Total**	**Reinsurance claims paid**	**Reinsurance commission expense**	**Total**
Life Insurance						
Individual insurance	₩ 42,137	₩ 7,132	₩ 49,269	₩ (53,046)	₩ -	₩ (53,046)
Group insurance	562	-	562	(161)	-	(161)
	42,699	7,132	49,831	(53,207)	-	(53,207)
Non-life Insurance						
General	25,905	13,984	39,889	(71,367)	(2,177)	(73,544)
Long-term	190,943	(7,859)	183,084	(195,083)		(195,083)
Automobile	38,712	12,093	50,805	(53,388)		(53,388)
	255,560	18,218	273,778	(319,838)	(2,177)	(322,015)
	₩ 298,259	₩ 25,350	₩ 323,609	₩ (373,045)	₩ (2,177)	₩ (375,222)

(in millions of Korean won)	2020					
	Reinsurance income			**Reinsurance expense**		
	Reinsurance claims recovered	**Reinsurance commission income**	**Total**	**Reinsurance claims paid**	**Reinsurance commission expense**	**Total**
Life Insurance						
Individual insurance	₩ 37,997	₩ 8,593	₩ 46,590	₩ (51,329)	₩ -	₩ (51,329)

Group insurance	385	-	385	(141)	-	(141)
	38,382	8,593	46,975	(51,470)	-	(51,470)
Non-life Insurance						
General	22,279	12,779	35,058	(60,792)	(2,689)	(63,481)
Long-term	103,049	(11,737)	91,312	(101,382)	-	(101,382)
Automobile	40,649	7,554	48,203	(39,236)	-	(39,236)
	165,977	8,596	174,573	(201,410)	(2,689)	(204,099)
	₩ 204,359	₩ 17,189	₩ 221,548	₩ (252,880)	₩ (2,689)	₩ (255,569)

34. Other Income

Other income for the three-month and nine-month periods ended September 30, 2021 and 2020, is as follows:

(in millions of Korean won)	**2021**		**2020**	
	Three months	**Nine months**	**Three months**	**Nine months**
Commission income	₩ 31,765	₩ 43,993	₩ 7,016	₩ 19,352
Dividend income	152,944	436,808	116,724	370,075
Rental income	55,398	135,071	42,692	121,581
Fees on trust accounts	13,500	36,007	9,846	29,281
Others	(56,327)	54,630	48,248	61,702
	₩ 197,280	₩ 706,509	₩ 224,526	₩ 601,991

35. Insurance Claims Paid

Insurance claims paid for the three-month and nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	**2021**		**2020**	
	Three months	**Nine months**	**Three months**	**Nine months**
Insurance expenses	₩ 1,182,029	₩ 3,331,495	₩ 998,484	₩ 2,973,802
Refund expenses	1,936,357	6,193,997	1,975,571	6,208,405
Dividend expenses	10,477	32,617	10,847	32,211
	₩ 3,128,863	₩ 9,558,109	₩ 2,984,902	₩ 9,214,418

36. Business Expenses

Business expenses for the three-month and nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	**2021**	**2020**

		Three months		Nine months		Three months		Nine months
Acquisition costs:								
Agent commissions	₩	62,716	₩	347,220	₩	214,259	₩	646,267
Sales office operations		6,200		39,608		27,482		77,622
Sales promotional expenses		61,577		167,386		49,779		152,817
Other acquisition costs		294,219		728,355		150,606		452,085
Deferred policy acquisition costs		(289,098)		(874,109)		(314,405)		(957,846)
		135,614		408,460		127,721		370,945
Maintenance expenses:								
Salaries and bonus		114,536		408,100		136,715		408,221
Post-employment benefits		9,604		41,071		13,415		70,237
Employee benefits		25,194		85,091		31,344		97,143
Rental expenses		7,970		16,396		3,902		14,603
Information technology		19,773		60,474		18,620		54,680
Communication expenses		4,553		13,752		5,198		16,378
Others		52,305		422,060		152,142		471,996
		233,935		1,046,944		361,336		1,133,258
	₩	369,549	₩	1,455,404	₩	489,057	₩	1,504,203

37. Property Administration Expenses

Property administration expenses for the three-month and nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)		2021				2020		
		Three months		Nine months		Three months		Nine months
Salaries and bonus	₩	4,738	₩	16,721	₩	5,803	₩	17,588
Post-employment benefits		1,003		3,227		1,221		3,916
Employee benefits		1,012		3,339		1,423		3,858
Communication expenses		966		4,197		1,515		3,938
Repair and maintenance expenses		758		2,035		1,137		6,827
Commission		4,368		16,353		9,359		25,514
Others		16,712		58,833		2,942		33,359
	₩	29,557	₩	104,705	₩	23,400	₩	95,000

38. Claim Handling Costs

Details of claim handling costs for the three-month and nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021	2020

	Three months	Nine months	Three months	Nine months
Salaries	₩ 13,577	₩ 36,421	₩ 12,053	₩ 34,973
Post-employment benefits	940	2,821	1,014	3,043
Employee benefits	2,797	8,734	2,780	9,022
Administrative expenses	20,708	62,286	20,195	61,582
	38,022	110,262	36,042	108,620
Recovery of claim handling costs	(6,317)	(19,509)	(4,819)	(20,955)
	₩ 31,705	₩ 90,753	₩ 31,223	₩ 87,665

39. Other Expenses

Other expenses for the three-month and nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021		2020	
	Three months	Nine months	Three months	Nine months
Depreciation for properties	₩ 10,193	₩ 30,149	₩ 10,171	₩ 30,305
Amortization of intangible assets	24,818	76,353	31,880	94,146
Discount charge	430	1,558	494	1,709
Commission expenses	14,557	20,045	1,869	6,102
Others	148,792	309,959	135,805	263,723
	₩ 198,790	₩ 438,064	₩ 180,219	₩ 395,985

40. Non-operating Income and Expenses

Non-operating income and expenses for the three-month and nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021		2020	
	Three months	Nine months	Three months	Nine months
Non-operating income				
Gain on valuation of investments in associates	₩ 10,861	₩ 20,438	₩ 4,249	₩ 5,422
Gain on disposal of investments in associates	93,411	93,563	-	-
Gain on disposal of investment properties	34,590	35,842	1,065	1,065
Gain on disposal of property and equipment	(307)	3,621	1,270	1,270
Gain on disposal of intangible assets	17	1,163	727	2,161
Gain on bargain purchase	188,068	188,068	-	-
Miscellaneous income	2,810	12,868	4,496	15,026

	₩	329,450	₩	355,563	₩	11,807	₩	24,944
Non-operating expenses								
Loss on valuation of investments in associates	₩	3,547	₩	10,940	₩	1,119	₩	7,090
Loss on disposal of investments in associates		-		-		247		295
Loss on write-off of property and equipment		-		-		-		27
Loss on disposal of property and equipment		368		1,812		1,991		2,634
Loss on disposal of investment properties		-		586		143		156
Loss on disposal of intangible assets		-		-		88		228
Donations		(44)		2,386		1,211		7,918
Miscellaneous loss		1,661		4,012		8,043		12,236
	₩	5,532	₩	19,736	₩	12,842	₩	30,584

41. Income Tax Expense

Income tax expense for the interim period is recognized based on best estimate of the weighted average annual income tax rate expected for the full financial year. The expected weighted average annual income tax rate used for the year ending December 31, 2021 is 30.3% (for the nine-month period ended September 30, 2020: 26.5%).

42. Related-Party Transactions

Details of the related parties of the Group and affiliates of large business group as at September 30, 2021 and December 31, 2020, are as follows:

	September 30, 2021
Description	**Name of entity**
Ultimate Parent Company	Hanwha Corporation
Related parties who have significant influence	Hanwha Engineering & Construction Corp.
Associates and joint ventures	New Airport Highway Co., Ltd. and other companies
Others and affiliates of large business group	Hanwha Systems Co., Ltd., Hanwha Eagles Professional Baseball Club Co., Ltd., Hanwha Galleria Co., Ltd., Hanwha Hotels & Resorts Co., Ltd., Hanwha Solutions Corporation[1] and others

[1] Hanwha Solutions Corporation merged with Hanwha Galleria Co., Ltd.. during the nine-month period ended September 30, 2021.

	December 31, 2020
Description	**Name of entity**

Ultimate Parent Company	Hanwha Corporation
Related parties who have significant influence	Hanwha Engineering & Construction Corp.
Associates and joint ventures	New Airport Highway Co., Ltd. and other companies
Others and affiliates of large business group	Hanwha Systems Co., Ltd., Hanwha Eagles Professional Baseball Club Co., Ltd., Hanwha Galleria Co., Ltd., Hanwha Hotels & Resorts Co., Ltd., Hanwha Solutions Corporation and others [1]

[1] Hanwha Chemical Co., Ltd. merged with Hanwha Q CELLS & Advanced Materials Corporation and changed its name from Hanwha Chemical Co., Ltd. to Hanwha Solutions Corporation in January 2020.

Significant transactions between the Group and related parties or affiliates of large business group for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021				
	Revenues				
Name of entity	**Rental income**	**Service income**	**Interest income**	**Other income**	**Total**
Ultimate Parent Company					
Hanwha Corporation	₩ 7,492	₩ 13	₩ -	₩ 3,946	₩ 11,451
Related parties who have significant influence					
Hanwha Engineering & Construction Corp.	6,943	7	-	5,242	12,192
Associates and joint ventures					
Jeonla Railroad Co., Ltd.	-	-	3,488		3,488
New Airport Highway Co., Ltd.	-	-	1,513	1,928	3,441
A&D Credit Information Co., Ltd.	-	-	-	53	53
Pangyo SD2 Co., Ltd.	-	-	1,341	1,903	3,244
Others	-	-	5,431	5,950	11,381
	-	-	11,773	9,834	21,607
Others and affiliates of large business group					
Hanwha Systems Co., Ltd.	5,097	6	-	2,073	7,176
Hanwha Eagles Professional Baseball Club Co., Ltd.	64	-	-	80	144
Hanwha Galleria Co., Ltd.	478	1	-	281	760
Hanwha Hotels & Resorts Co., Ltd.	5,165	1,490	-	2,405	9,060
Hanwha Solutions Corporation (Formerly, Hanwha Chemical Co., Ltd.)	9,870	46	-	11,074	20,990
Others	27,156	48	727	35,799	63,730
	₩ 47,830	₩ 1,591	₩ 727	₩ 51,712	₩ 101,860
	62,265	1,611	12,500	70,734	147,110

(in millions of Korean won)	2021				
	Expenses				
Name of entity	Insurance claims paid	Business and administration expenses	Other expenses	Acquisitions of property and equipment and intangible assets	Total
Ultimate Parent Company					
Hanwha Corporation	₩ 161	₩ 56,967	₩ 2,658	₩ -	₩ 59,786
Related parties who have significant influence					
Hanwha Engineering & Construction Corp.	584	-	-	-	584
Associates and joint ventures					
Jeonla Railroad Co., Ltd.	-	-	-	-	-
New Airport Highway Co., Ltd.	11	-	-	-	11
A&D Credit Information Co., Ltd.	10	6,330	9	-	6,349
Pangyo SD2 Co., Ltd.	-	-	-	-	-
Others	3	19	-	-	22
	24	6,349	9	-	6,382
Others and affiliates of large business group					
Hanwha Systems Co., Ltd.	440	50,155	5,137	36,883	92,615
Hanwha Eagles Professional Baseball Club Co., Ltd.	34	8,894	113	-	9,041
Hanwha Galleria Co., Ltd.	6	175	-	-	181
Hanwha Hotels & Resorts Co., Ltd.	408	4,816	1,382	-	6,606
Hanwha Solutions Corporation (Formerly, Hanwha Chemical Co., Ltd.)	1,271	4,392	54	-	5,717
Others	5,562	7,648	3,450	-	16,760
	₩ 7,821	₩ 76,080	₩ 10,136	₩ 36,883	₩ 130,920
	8,590	139,396	12,803	36,883	197,672

(in millions of Korean won)	2020				
	Revenues				
Name of entity	**Rental income**	**Service income**	**Interest income**	**Other income**	**Total**
Ultimate Parent Company					
Hanwha Corporation	₩ 8,994	₩ 38	₩ -	₩ 4,883	₩ 13,915
Related parties who have significant influence					
Hanwha Engineering & Construction Corp.	5,302	30	-	5,981	11,313
Associates and joint ventures					
Jeonla Railroad Co., Ltd.	-	-	2,236	-	2,236
New Airport Highway Co., Ltd.	-	-	930	4,554	5,484
A&D Credit Information Co., Ltd.	-	-	-	102	102
Pangyo SD2 Co., Ltd.	-	-	1,018	1,871	2,889
Others	-	12	3,656	758	4,426
	-	12	7,840	7,285	15,137
Others and affiliates of large business group	3,892	12	-	1,884	5,788
Hanwha Systems Co., Ltd.	-	-	-	84	84
Hanwha Eagles Professional Baseball Club Co., Ltd.	1,438	2	-	648	2,088
Hanwha Galleria Co., Ltd.	8,151	2,129	-	2,987	13,267
Hanwha Hotels & Resorts Co., Ltd.	4,729	32	-	7,603	12,364
Hanwha Solutions Corporation (Formerly, Hanwha Chemical Co., Ltd.)	29,589	67	807	31,250	61,713
Others	47,799	2,242	807	44,456	95,304
	₩ 62,095	₩ 2,322	₩ 8,647	₩ 62,605	₩ 135,669

(in millions of Korean won)	2020				
	Expenses				
Name of entity	**Insurance claims paid**	**Business and administration expenses**	**Other expenses**	**Acquisitions of property and equipment and intangible assets**	**Total**
Ultimate Parent Company					
Hanwha Corporation	₩ 273	₩ 61,622	₩ 441	₩ -	₩ 62,336
Related parties who have significant influence					
Hanwha Engineering & Construction Corp.	509	-	-	-	509
Associates and joint ventures					
Jeonla Railroad Co., Ltd.	-	-	-	-	-
New Airport Highway Co., Ltd.	11	-	-	-	11
A&D Credit Information Co., Ltd.	15	6,118	-	-	6,133
Pangyo SD2 Co., Ltd.	-	-	-	-	-
Others	1	48	-	-	49
	27	6,166	-	-	6,193
Others and affiliates of large business group	488	50,146	1,813	26,661	79,108
Hanwha Systems Co., Ltd.	49	7,137	101	-	7,287
Hanwha Eagles Professional Baseball Club Co., Ltd.	24	3,073	49	-	3,146
Hanwha Galleria Co., Ltd.	446	2,215	10,252	-	12,913
Hanwha Hotels & Resorts Co., Ltd.	1,501	941	-	-	2,442
Hanwha Solutions Corporation (Formerly, Hanwha Chemical Co., Ltd.)	4,923	10,693	5,187	-	20,803
Others	7,431	74,205	17,402	26,661	125,699
	₩ 8,240	₩ 141,993	₩ 17,843	₩ 26,661	₩ 194,737

Significant fund transactions between the Group and related parties or affiliates of the large business group for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021							
	Loans transaction		**Borrowing transaction**		**Cash contribution**		**Dividend**	
Name of entity	**Loans**	**Collection**	**Borrowings**	**Repayment**	**Investment**	**Collection**	**Paid**	**Received**
Ultimate Parent Company								
Hanwha Corporation	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 4,728	₩ -
Related parties who have significant influence							6,538	-
Hanwha Engineering & Construction Corp.	-	-	-	-	-	-	-	-
Associates and joint ventures								
Sino Korea Life Insurance Co.,Ltd(China)	-	-	-	-	-	-	-	-
Green Kimhae Enviro Co., Ltd.	-	687	-	-	-	-	-	-
Jeonla Railroad Co., Ltd.	-	5,506	-	-	-	-	-	-
ULSAN CHONGCHUN Co., Ltd.	-	740	-	-	-	-	-	-
New Airport Highway Co., Ltd.	-	448	-	-	-	-	-	1,924
Pangyo SD2 Co., Ltd.	-	40,000	-	-	-	115,135	-	-
Others (associates)	-	5,909	-	-	36,940	14,463	-	4,585
	-	53,290	-	-	36,940	129,598	-	6,509
Others and affiliates of large business group								
Hanwha Galleria Timeworld Co., Ltd.	-	-	-	-	-	-	456	-
Hanwha Systems Co., Ltd.	-	-	-	948	-	-	-	-
Others	-	-	-	-	-	-	-	-
	-	-	-	948	-	-	456	-
	₩ -	₩ 53,290	₩ -	₩ 948	₩ 36,940	₩ 129,598	₩ 11,722	₩ 6,509

(in millions of Korean won)	2020							
	Loans transaction		**Borrowing transaction**		**Cash contribution**		**Dividend**	
Name of entity	**Loans**	**Collection**	**Borrowings**	**Repayment**	**Investment**	**Collection**	**Paid**	**Received**
Ultimate Parent Company								
Hanwha Corporation	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 4,728	₩ -
Related parties who have significant influence								
Hanwha Engineering & Construction Corp.	-	-	-	-	-	-	6,538	-
Associates and joint ventures								
Green Kimhae Enviro Co., Ltd.	-	430	-	-	-	-	-	-
Jeonla Railroad Co., Ltd.	-	3,567	-	-	-	-	-	-
ULSAN CHONGCHUN Co., Ltd.	-	476	-	-	-	-	-	-
New Airport Highway Co., Ltd.	-	398	-	-	-	-	-	4,551
NHN Payco Corporation.	-	-	-	-	14,500	-	-	-
Others (associates)	-	4,189	-	-	12,116	6,057	-	2,497
	-	9,060	-	-	26,616	6,057	-	7,048
Others and affiliates of large business group								
Hanwha Galleria Timeworld Co., Ltd.	-	-	-	-	-	-	456	-
Hanwha Systems Co., Ltd.	-	-	-	1,422	-	-	-	-
Others	-	-	-	204	-	-	-	-
	-	-	-	1,626	-	-	456	-
	₩ -	₩ 9,060	₩ -	₩ 1,626	₩ 26,616	₩ 6,057	₩ 11,722	₩ 7,048

Outstanding balances arising from sales/purchases of goods and services as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021						
	Receivables				Payables		
	Securities	Loans	Other receivables	Total	Leasehold deposit received	Other payables	Total
Ultimate Parent Company:							
Hanwha Corporation	₩ -	₩ -	₩ 16	₩ 16	₩ 5,174	₩ 13,916	19,090
Related parties with significant influence:							
Hanwha Engineering & Construction Corp.	-	-	-	-	3,931	3,328	7,259
Associates and joint ventures:							
Jeonla Railroad Co., Ltd.	-	65,870	7	65,877	-	20	20
New Airport Highway Co., Ltd.	-	11,962	116	12,078	-	716	716
A&D credit information. Co., Ltd.	-	-	1	1	-	1,461	1,461
Pangyo SD2 Co., Ltd.	-	-	-	-	-	-	-
Ulsan Chongchun Co., Ltd.	-	9,920	1	9,921	-	-	-
Others	-	89,189	6,548	95,737	-	306	306
	-	176,941	6,673	183,614	-	2,503	2,503
Others and affiliates of large business group:							
Hanwha Systems Co., Ltd.	-	-	18	18	3,670	47,600	51,270
Hanwha Eagles Professional Baseball Club Co., Ltd.	-	-	-	-	-	2,139	2,139
Hanwha Galleria Co., Ltd.	-	-	-	-	-	-	-
Hanwha Hotels & Resorts Co., Ltd.	-	-	48,553	48,553	2,508	15,037	17,545
Hanwha Solutions Corporation (Formerly, Hanwha Chemical Co., Ltd.)	-	-	755	755	5,526	80,989	86,515
Others	-	20,512	24,447	44,959	16,293	270,695	286,988
	-	20,512	73,773	94,285	27,997	416,460	444,457
	₩ -	₩ 197,453	₩ 80,462	₩ 277,915	₩ 37,102	₩ 436,207	473,309

(in millions of Korean won)

	December 31, 2020					
	Receivables			Payables		
	Loans	Other receivables	Total	Leasehold deposit received	Other payables	Total
Ultimate Parent Company:						
Hanwha Corporation	₩ -	₩ 45	₩ 45	₩ 5,209	₩ 19,268	₩ 24,477
Related parties with significant influence:						
Hanwha Engineering & Construction Corp.	-	3	3	3,931	3,697	7,628
Associates and joint ventures:						
Jeonla Railroad Co., Ltd.	71,376	8	71,384	-	27	27
New Airport Highway Co., Ltd.	12,409	117	12,526	-	708	708
A&D credit information. Co., Ltd.	-	232	232	-	1,523	1,523
Pangyo SD2 Co., Ltd.	40,000	37	40,037	-	-	-
ULSAN CHONGCHUN Co., Ltd.	10,659	1	10,660	-	-	-
Others (associates)	95,786	151	95,937	-	351	351
	230,230	546	230,776	-	2,609	2,609
Others and affiliates of large business group:						
Hanwha Systems Co., Ltd.	-	1,215	1,215	3,489	48,693	52,182
Hanwha Eagles Professional Baseball Club Co., Ltd.	-	1,572	1,572	-	2,385	2,385
Hanwha Galleria Co., Ltd.	-	110	110	953	434	1,387
Hanwha Hotels & Resorts Co., Ltd.	-	36,829	36,829	5,248	2,493	7,741
Hanwha Solutions Corporation	-	35	35	2,994	85,578	88,572
Others	35,512	26,556	62,068	23,502	324,501	348,003
	35,512	66,317	101,829	36,186	464,084	500,270
	₩ 265,742	₩ 66,911	₩ 332,653	₩ 45,326	₩ 489,658	₩ 534,984

Details of the trade of receivables through major related parties for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			
	Selling		Buying	
Hanwha Investment &Securities Co., Ltd.	₩	77,525	₩	1,087,395

[1] This details of before the date of gaining control.

(in millions of Korean won)	2020			
	Selling		Buying	
Hanwha Investment &Securities Co., Ltd.	₩	204,830	₩	1,640,372

Key management refers to the registered executives who have the duties and responsibilities over the planning, operational, and managerial activities of the Group. The compensation paid or payable to key management for employee services for the nine-month periods ended September 30, 2021 and 2020, consists of the following:

(in millions of Korean won)	2021		2020	
Short-term employee benefits[1]	₩	3,829	₩	2,125
Post-employment benefits		243		225
	₩	4,072	₩	2,350

[1] Short-term employee benefits include ₩ 2,383 million in relation to share-based payments.

The dividend paid to the largest shareholder and key management for the nine-month period ended September 30, 2021 and the year ended December 31, 2020, is ₩ 6,545 million and ₩ 6,543 million, respectively.

43. Contingencies and Commitments

Pending litigations

The Group is involved in 771 litigations as a defendant with total claim amounts of ₩ 239,836 million, including involved insurance claims of ₩ 35,996 million. In addition, the Group is involved in 627 litigations as a plaintiff with total claim amount of ₩ 73,552 million, including damage suit claims of ₩ 34,377 million as at September 30, 2021. Currently, the cases are still pending and the final resolution cannot yet be determined.

Borrowing agreements with banks

The following table summarizes the outstanding borrowing agreements with banks as at September 30, 2021:

(in millions of Korean won)	**Details**		**Limit amount**
KEB Hana bank	Daily bank overdraft [1]	₩	35,000
	General bank overdraft		1,000
	General loan		500
SH Suhyup Bank	General loan		1,000
KB Kookmin Bank	General loan		38,000
Shinhan Bank	Daily bank overdraft [1]		63,500
	General bank overdraft		6,000
	General loan		20,000
Standard Chartered Bank Korea	Daily bank overdraft [1]		54,000
Woori Bank	Daily bank overdraft		21,000
KSFC	Working capital loans		150,000
	Working capital loans (investment trusts)		Within the scope of deposit
	Short-term note trading at a discount		170,000
	Short-term note trading at a discount (new share subscriptions)		Within the scope of subscription deposits
	Collateral loans		700,000
	Securities collateral loans		300,000
	Securities collateral loans (lender)		100,000
	Day fund trading		200,000
Woori Bank Hong Kong Branch and another	Bank borrowings		31,721

[1] In relation to these agreements, government and public bonds of the Group (face value: ₩ 130,000 million) are provided as collateral amounting to ₩ 140,000 million.

Other commitments

Details of provided guarantees as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	Guaranteed amount		Guaranteed by	Description
	September 30, 2021	December 31, 2020		
Hanwha Life Insurance Co., Ltd. and others	₩ 277,210	₩ 394,589	Seoul Guarantee Insurance Co., Ltd	Deposits and others
Hanwha General Insurance Co., Ltd.	47,736	11,316	Seoul Guarantee Insurance Co., Ltd	Deposits and others
Hanwha Investment & Securities Co., Ltd.	68	-	Seoul Guarantee Insurance Co., Ltd	Performance guarantee
Hanwha Life Lab Co.,Ltd. (formerly, Hanwha Life Asset Co., Ltd.)	1,356	1,263	Seoul Guarantee Insurance Co., Ltd	Performance guarantee
Hanwha 63 City Corporation	44	373	Seoul Guarantee Insurance Co., Ltd	Performance guarantee and others

Details of other commitments as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021	December 31, 2020
Loan commitments	₩ 2,513,667	₩ 3,654,876
Investment commitments	5,087,502	3,596,283
	₩ 7,601,169	₩ 7,251,159

As at September 30, 2021, the capital expenditure contracted but not recognized as liability in relation to property and equipment and investment property amounts to ₩ 683 million, and as at December 31, 2020, the capital expenditure contracted but not recognized as liability in relation to property and equipment and investment property amounts to ₩ 18,755 million.

Reinsurance agreement

- Hanwha Life Insurance Co., Ltd.

As at September 30, 2021, the Group has entered into reinsurance agreement with six global reinsurers, including Reinsurance Group of America, Korean Reinsurance Company and Munich Reinsurance Company for CI insurance, cancer insurance, health insurance for the sick and others.

- Hanwha General Insurance Co., Ltd.

As at September 30, 2021, Hanwha General Insurance Co., Ltd. has entered into reinsurance agreement with reinsurers, including Korean Reinsurance Company, Score Reinsurance Company, and Swiss Reinsurance Company and others for general insurance, long-term insurance, automobile insurance.

Commitments with the related parties

- Hanwha Corporation

The Group entered into a contract with Hanwha Corporation, the Ultimate Parent Company, to pay a fee as brand usage fee which is calculated based on revenues, advertising expenses and others. The service fees paid in relation to this contact during the nine-month periods ended September 30, 2021 and 2020, are disclosed in the transactions with the related parties.

- Hanwha Asset Management Co., Ltd.

As at September 30, 2021, the Group entered into an entrusted investment contract with Hanwha Asset Management Co., Ltd. for shares and beneficiary certificates.

- Hanwha 63 City Corporation

As at September 30, 2021, the Group entered into an entrusted management contract of real estate with Hanwha 63 City Corporation to be provided professional asset management service for the facilities held by the Group, lease and repairs and maintenance.

- Hanwha I&A Co., Ltd., Hanwha Life Lab Co.,Ltd., and Hanwha Life Financial Service. Co, Ltd.

As at September 30, 2021, the Group entered into a service outsourcing contract with Hanwha I&A Co., Ltd., a subsidiary, to be provided insurance contract verification services, call center services and other insurance related services, and entered into a service outsourcing contract with Hanwha Life Lab Co.,Ltd., and Hanwha Life Financial Service. Co, Ltd, subsidiaries, to be provided brokerage and maintenance of insurance contract.

- Hanwha Systems Co., Ltd.

As at September 30, 2021, the Group entered into a service contract for the development of data processing tasks with Hanwha Systems Co., Ltd. with the aim of establishing the next generation insurance core system. The service fees paid in relation to this contact during the nine-month periods ended September 30, 2021 and 2020, are disclosed in transaction with the related parties.

The Group and the newly established company, Hanwha Life Financial Service. Co, Ltd, are jointly liable for the obligations outstanding as at April 1, 2021, the split-off date.

Sales agency agreement of beneficiary certificates

Sales agencies sell beneficiary certificates which represent beneficial interest of trust properties to beneficiaries in accordance with sales agency agreement between the Group and sales agencies. As at September 30, 2021, the Group entered into sales agency agreement of beneficiary certificates with 51 financial institutions including Hanwha Investment &Securities Co., Ltd.

Securities borrowed as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	**Financial institution**		**2021**		**2020**
Listed shares	Korea Securities Depository	₩	293,046	₩	-
Government and local government	KSFC		112,000		-

bonds				
	₩	405,046	₩	-

Securities received as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)		**2021**		**2020**
Trustor securities in custody	₩	21,720,473	₩	-
Beneficiary securities in custody		28,004,787		-
Other securities in custody		154,500		-
	₩	49,879,760	₩	-

As at September 30, 2021, the Group has entered into 25 credit derivative contracts, including CDS contracts, with the outstanding amount of ₩ 676.4 billion of asset position (11 credit derivative contracts) and ₩ 714.7 billion of liability position (14 credit derivative contracts). Accordingly, the Group has an obligation to pay the outstanding amount when certain specific credit events occur.

Payment guarantee and purchase agreements as at September 30, 2021, are as follows:

(in hundred millions of Korean won)	**Description**		**Total amount** [1]
JUST RED Co., Ltd.	INCHEON SONGDO C6-1BL Section Office Project Financing	₩	200
Great shinjeong Co., Ltd.	Ulsan shinjeong residential and commercial complex Project Financing		30

Association is regulating commitment of provision for loss in relation to distribution of association assets. Investment is distributed to the Group, the general partner of each association, after provision for loss in accordance with commitment has been set. Since this commitment is affecting valuation of investments in partnership, details of commitment of provision for loss that is finalized at liquidation are as follows:

Description	**Commitments**
Seoul Global Bio-medical New Growth Engine Investment Fund[1]	When the amounts after deducting operating expenses are under the total amount invested in capital, a provision is set for loss within ₩ 2,500 million.
KoFC Value-up Private Investment Equity Fund[2]	When the amounts after deducting operating expenses are under the total amount invested in capital, a provision is set for loss within ₩ 2,500 million.

[1] There is no possibility of incurring a provisional for loss as the amount of contribution made is over the total amount invested in capital.

[2] KoFC Value-up Private Investment Equity Fund was sold to Hanwha Asset Management Co., Ltd., a related party, during the year ended December 31, 2015. However, deposits for Woori Bank was pledged as collateral upon the request from buyer (Note 7).

As at September 30, 2021, the maximum provisions for loss for the contracts above amount to ₩ 5,000 million. The Group estimates possibility for provision and recognized ₩ 2,500 million as provisions.

Among the financial assets measured at available-for-sale financial assets invested by the Group in the current financial statements, a fund managed by GEN2 Partners, and the repurchase has been temporarily suspended due to the impact of COVID-19 pandemic. However, the Group issued derivatives-combined securities using the fund as an underlying asset and the fair value of the securities is linked to the underlying asset, the collective impact of changes in fair value up to the end of the current period on the financial statements is not material.

44. Cash Generated from Operations

Adjustments for income and expenses of cash flows from operating activities for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020
Change in reserves for insurance contracts	₩	3,140,428	₩	3,448,343
Amortization of deferred policy acquisition costs		921,392		929,445
Post-employment benefits		40,366		38,708
Loss on valuation and disposal of loans and other receivables		21,670		75,013
Share-based payments		6,076		1,515
Depreciation		129,848		121,516
Amortization of intangible assets		76,362		94,146
Loss on valuation and transaction of securities		179,177		239,048
Impairment loss on available-for-sale financial assets		12,846		164,541
Loss on foreign currency translation		7,006		40,118
Loss on valuation and transaction of derivatives		2,211,544		1,325,151
Interest expenses		35,412		22,735
Compensation loss		1,376		
Loss on valuation of investments in associates		10,940		7,090
Loss on disposal of investments in associates		-		295
Loss on disposal of property and equipment and investment property		2,398		2,790
Loss on impairment of property and equipment		-		27
Loss on disposal of intangible asset		-		228

(in millions of Korean won)	2021	2020
Income tax expense	382,977	112,420
Loss on restoration cost	61	14
Other income	-	(8,868)
Gain on bargain purchase	(188,068)	-
Interest income	(2,214,880)	(2,311,642)
Compensation income	-	(293)
Dividend income	(436,808)	(370,075)
Gain on valuation and transaction of securities	(991,572)	(982,999)
Gain on foreign currency translation	(1,670,430)	(528,056)
Gain on valuation and transaction of derivatives	(389,883)	(423,873)
Gain on valuation of investments in associates	(20,438)	(5,422)
Gain on disposal of investments in associates	(93,563)	-
Gain on disposal of property and equipment and investment property	(39,463)	(2,336)
Gain on disposal of intangible assets	(1,163)	(2,161)
Gain on restoration cost	(5,266)	(189)
Gain on cancellation of lease	(444)	(451)
	₩ 1,127,902	₩ 1,986,778

Changes in operating assets and liabilities for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021	2020
Decrease in deposits	₩ (63,335)	₩ 458,840
Decrease in financial assets at fair value through profit or loss	183,502	(605,498)
Decrease (increase) in loans	499,899	(1,349,856)
Decrease in derivative instruments	(49,416)	(94,436)
Decrease (increase) in other financial assets	(168,574)	230,373
Increase in other assets	(838,396)	(978,816)
Increase in financial liabilities at fair value through profit or loss	98,257	-
Increase in net defined benefit liabilities	(16,935)	(26,954)
Increase (decrease) in other financial liabilities	167,206	(321,170)
Decrease in provisions for restoration	(738)	16
Increase in other liabilities	13,258	104,326
Increase in separate accounts	(537,710)	(828,566)
	₩ (712,983)	₩ (3,411,741)

Significant transactions not affecting cash flows for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020
Transfer investment properties from to property and equipment	₩	-	₩	108,159
Transfer from property and equipment to investment properties		(66,936)		-
Transfer from construction-in-progress to buildings		27,296		72,661
Changes in policyholders' equity adjustments		(747,888)		342,807
Changes in deferred income taxes charged directly to equity		(774,824)		282,800
Changes in the fair value of on available-for-sale financial assets		(2,167,266)		1,057,177
Changes in gain or loss on valuation of derivatives for cash flow hedges		(102,167)		(41,523)
Changes in share of other comprehensive income of associates		4,606		2,829
Changes in other comprehensive income of separate accounts		(85,331)		33,223
Changes in gain on revaluation of property and equipment		3,924		2,481
Changes in remeasurements of net defined benefit liabilities		9,530		-
Loans and other receivables written off		65,457		54,790
Non-cash transactions related to sales of securities		2,450		10,500
Changes of right-of-use assets		74,687		57,436

Changes in liabilities arising from financial activities for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)	2021					
			Non-cash flow			
	Beginning balance	Cash flows from financing activities	Amortization	Translation of foreign operation and others	Changes in scope of consolidation	Ending balance
Borrowings and debentures	₩ 552,557	₩ 449,738	₩ 30	₩ (912)	₩ 6,189,842	₩ 7,191,255
Lease liabilities	81,034	(44,760)	1,129	74,118	42,783	154,304
Other financial liabilities	713,996	50,946	-	31,144	19,396	815,482
Lease deposit received	139,194	(5,336)	740	(6,111)	867	129,354

(in millions of Korean won)	2020				
			Non-cash flow		
	Beginning balance	Cash flows from financing activities	Amortization	Translation of foreign operation and others	Ending balance
Borrowings and debentures	₩ 555,982	₩ (595)	₩ (1)	₩ 1,426	₩ 556,811
Lease liabilities	64,083	(39,798)	1,190	69,455	94,931
Other financial liabilities	551,612	66,361	-	(37,220)	580,753
Lease deposit received	138,894	3,075	574	815	143,358

45. Unconsolidated Structured Entities

The Group is involved in structured entities through investments in structured finance and investment funds. The main features of the structured entities are as follows:

Unconsolidated structured entities, categorized as ‘structured finance’, include real estate project financing investment companies, infrastructure business corporations, and special purpose company for shipping (aircraft) finance. ‘Structured finance’ is mainly used to finance large scale risky businesses. Investments are made based on economic feasibility of the specific business or project rather than credibility of the party undertaking the project or physical collateral, and the investors take the profit generated in the course of the project. The Group provides funds to the structured entities for structured finance in the form of equity investments and others.

Unconsolidated structured entities, categorized as ‘investment fund’, include investment trust and private equity fund.

A trust is formed by contributions from various investors, operated by a manager engaged to the trust and distributed proceeds from sales of investments to the investors.

Investment trusts invest and manage funds in accordance with the trust agreement, and distribute the profits to the investors. Private equity funds raise investment funds in private offering to acquire equity securities for participation in management or improvement of financial structures and governance structures. The Group, an investor to the private equity fund, recognizes income from valuation of equity investments and dividend income in proportion to its share ratio. If the value of the private equity fund decreases, the Group will be exposed to the risk of principal losses.

The scale of unconsolidated structured entities, shares of the Group in the entities and the nature of the risk, as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	September 30, 2021				
	Liquidation of asset	Structured finance	Investment funds	Others	Total
Total assets of unconsolidated structured entities	₩ 7,933,780	₩ 51,309,343	₩ 219,215,280	₩ 50,109,241	₩ 328,567,644

Assets recognized on involving in unconsolidated structured entities					
Cash and cash equivalents	-	-	-	5,922	5,922
Financial assets at fair value through profit or loss	345,275	708,558	12,176,414	1,060,468	14,290,715
Available-for-sale securities	2,886,770	180,077	15,464,472	758,784	19,290,103
Investments in associates	-	85,196	117,447	136	202,779
Loans	1,338,368	6,821,539	1,705,869	899,698	10,765,474
	₩ 4,570,413	₩ 7,795,370	₩ 29,464,202	₩ 2,725,008	₩ 44,554,993

(in millions of Korean won)	December 31, 2020				
	Liquidation of asset	**Structured finance**	**Investment funds**	**Others**	**Total**
Total assets of unconsolidated structured entities	₩ 9,218,732	₩ 45,371,056	₩ 174,118,917	₩ 39,420,563	₩ 268,129,268
Assets recognized on involving in unconsolidated structured entities					
Cash and cash equivalents	-	-	-	22,609	22,609
Financial assets at fair value through profit or loss	-	-	4,175,852	1,596,954	5,772,806
Available-for-sale securities	3,037,336	140,309	7,419,978	477,741	11,075,364
Investments in associates	-	81,650	44,202	9,578	135,430
Loans	1,325,486	7,128,894	2,265,128	1,123,811	11,843,319
	₩ 4,362,822	₩ 7,350,853	₩ 13,905,160	₩ 3,230,693	₩ 28,849,528

Details of loan agreements and investments of assets recognized on involving in above unconsolidated structured entities are disclosed in Note 43.

46. Segment Information

The Group consists of four segments (insurance, securities, other finance, and non-financial). Other financial segments carry out asset management, while non-financial segments carry out real estate management, insurance-related services, insurance agents, and brokerage.

Segment information for the nine-month periods ended September 30, 2021 and 2020, is as follows:

(in millions of Korean won)	**Insurance**	**Securities**	**Other Finance**	**Non-financial**	**Adjustment [1]**	**Total**
Operating income	₩ 20,100,550	₩ 217,092	₩ 208,867	₩ 532,383	₩ (636,198)	₩ 20,422,694
Operating expenses	19,220,579	207,580	86,511	623,313	(643,026)	19,494,957
Operating profit (loss)	879,971	9,512	122,356	(90,930)	6,828	927,737
Non-operating income	130,632	6,759	2,041	398	215,730	355,560
Non-operating expenses	15,913	7,026	1,541	192	(4,936)	19,736
Profit before income tax	994,690	9,245	122,856	(90,724)	227,494	1,263,561
Income tax expenses (benefits)	265,093	1,432	26,574	(1,045)	90,922	382,976
Profit for the period	₩ 729,597	₩ 7,813	₩ 96,282	₩ (89,679)	₩ 136,572	₩ 880,585

(in millions of Korean won)	2020			
	Financial	**Non-financial**	**Adjustment [1]**	**Total**
Operating income	₩ 19,423,463	₩ 145,948	₩ (238,332)	₩ 19,331,079
Operating expenses	18,975,223	151,394	(225,205)	18,901,412
Operating profit	448,240	(5,446)	(13,127)	429,667
Non-operating income	20,578	1,977	2,389	24,944
Non-operating expenses	26,003	1,801	2,780	30,584
Profit before income tax	442,815	(5,270)	(13,518)	424,027
Income tax expenses (benefits)	112,897	865	(1,341)	112,421
Profit for the period	₩ 329,918	₩ (6,135)	₩ (12,177)	₩ 311,606

[1] Consolidated adjustments include elimination of internal transactions and unrealized gain or loss, the amount of offsetting investment capital to subsidiaries and others of each reportable segment.

Segment assets and liabilities as at September 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)	2021					
	Insurance	**Securities**	**Other Finance**	**Non-financial**	**Adjustment [1]**	**Total**
Assets						
Cash and cash equivalents	₩ 995,923	₩ 177,918	₩ 80,768	₩ 48,932	₩ (1,024)	₩ 1,302,517
Deposits	575,933	465,166	17,969	66,988	(16,214)	1,109,842
Securities	82,352,859	7,130,083	518,448	243,858	-	90,245,248
Investments in associates and joint ventures	(536,321)	205,956	693,439	-	-	363,074
Loans	28,760,949	2,302,740	1,372	408	37,677	31,103,146
Others	12,707,247	1,195,488	78,770	519,589	(2,977,839)	11,523,256
Separate account assets	25,974,043	-	-	-	-	25,974,043
	₩ 150,830,633	₩ 11,477,351	₩ 1,390,766	₩ 879,775	₩ (2,957,399)	₩ 161,621,126
Liabilities						
Insurance contract liabilities	₩ 107,116,032	₩ -	–	-	₩ -	₩ 107,116,032
Policyholders' equity adjustment	472,110	-	-	-	(5,164)	466,946
Others	4,815,853	9,825,493	321,039	201,066	(155,813)	15,007,638
Separate account liabilities	25,962,501	-	-		(261,433)	25,701,068
	₩ 138,366,496	₩ 9,825,493	₩ 321,039	₩ 201,066	₩ (422,410)	₩ 148,291,684

(in millions of Korean won)	December 31, 2020			
	Financial	**Non-financial**	**Adjustment** [1]	**Total**
Assets				
Cash and cash equivalents	₩ 1,021,947	₩ 31,813	₩ (1,829)	₩ 1,051,931
Deposits	443,892	68,003	(5,565)	506,330
Securities	80,601,326	227	-	80,601,553
Investments in associates and joint ventures	257,086	-	-	257,086
Loans	29,554,746	487	41,034	29,596,267
Others	10,657,325	42,115	740,036	11,439,476
Separate account assets	25,322,141	-	-	25,322,141
	₩ 147,858,463	₩ 142,645	₩ 773,676	₩ 148,774,784
Liabilities				
Insurance contract liabilities	₩ 103,899,221	₩ -	₩ -	₩ 103,899,221
Policyholders' equity adjustment	1,181,230	-	27,072	1,208,302
Others	4,343,617	44,007	(272,043)	4,115,581
Separate account liabilities	25,761,641	-	(154,084)	25,607,557
	₩ 135,185,709	₩ 44,007	₩ (399,055)	₩ 134,830,661

[1] Consolidated adjustments include elimination of internal transactions and unrealized gain or loss, the amount of offsetting investment capital to subsidiaries and others of each reportable segment.

Information about geographical area

The Group does not provide information about geographical area, because majority of the revenues from external customers and majority of the assets such as property and equipment, and investment properties in Korea, the head office country.

The Group does not have any single external customer who contributes more than 10% of the Group's revenue for the nine-month period ended September 30, 2021.

47. Transfer of Business

On June 14, 2021, the board of directors decided to transfer the business to Enterprise Blockchain Co., Ltd. for the purpose of improving business efficiency in consideration of the characteristics and constraints of the company's Gig Economy Platform business.

(in millions of Korean won)	**Amount**
Software	98
Development expenses	1,696
	₩ 1,794
Transfer price	6,620

48. Business Combination

The Group purchased 56,761,908 shares of Hanwha Investment & Securities Co., Ltd. common stock held by Hanwha Global Asset Co., Ltd., Hanwha Hotels & Resorts Co., Ltd. and Hanwha

Galleria Time World Co., Ltd. during the quarter. The Group has gained control over the entity by owning 98,867,172 shares of common stock including 42,105,264 common stocks classified as available-for-sale financial assets.

The Group tentatively determined the amount recognized in the financial statements because the initial accounting for some assets and liabilities acquired as results of business combination was not completed. Accordingly, the book value of assets and liabilities related to business combination and gains from bargain purchases recognized in profit or loss after the reporting date may change.

The Group plans to complete the final purchase price allocation based on the facts and circumstances as of the acquisition date within the measurement period permitted by Korean IFRS 1103 'Business Combination'.

Consideration transferred, fair value of identifiable assets and liabilities and gains from bargain purchases recognized by the Group are as follows:

(in millions of Korean won)	**Hanwha Investment & Securities Co., Ltd. and its subsidiaries**
Consideration transferred	
Cash	320,137
Equity Instruments[1]	197,895
	518,032
Fair value of net assets	1,588,041
Non-controlling shares[2]	851,942
Gain on bargain[3]	188,068

[1] The shares were held before the business combination and re-measured at fair value at the acquisition date. 97,576 million was recognized as gain or loss from disposal.

[2]Non-controlling shares was calculated by applying the non-controlling interest on the fair value of net assets as of the acquisition date.

[3]Gain on bargain was recognized as the fair value of net assets as of the acquisition date exceeded the sum of the total consideration transferred and the amount equivalent to the non-controlling interest, and it is recorded as non-operating profit for the current reporting period.

Details of identifiable assets and liabilities at the acquisition date are as follows:

(in millions of Korean won)	**Hanwha Investment & Securities Co., Ltd. and its subsidiaries**
Assets	
Cash and cash equivalents	188,907
Deposits	501,724
Financial assets at fair value through	6,178,850

profit or loss	
Available-for-sale financial assets	879,708
Investments in associates and joint ventures	132,786
Derivative assets	124,372
Loans	2,029,585
Investment property	79
Property and equipment	16,682
Right-of-use assets	42,379
Intangible assets	32,484
Other financial assets	801,037
Other assets	97,522
Liabilities	
Financial liabilities at fair value through profit or loss	1,371,037
Borrowings and Debentures	6,189,842
Derivative liabilities	82,619
Provisions	5,139
Net defined benefit liabilities	17,551
Current tax liabilities	5,137
Deferred tax liabilities	82,983
Other financial liabilities	1,690,904
Other liabilities	22,861
Fair value of identifiable net assets	1,558,041

Operating income, operating profit and net income to be recorded in the consolidated statement of comprehensive if the group acquires the control at the beginning of the current period, are as follows:

(in millions of Korean won)	**Hanwha Investment & Securities Co., Ltd. and its subsidiaries**
Operating revenue	1,585,140
Operating profit	136,228
Net profit	103,294

Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Hanwha Life Insurance Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Hanwha Life Insurance Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2020 and 2019, and its consolidated financial performance and its consolidated 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements of the Group, which describes significant accounting estimates and assumptions can be adjusted according to the changes in uncertainty due to Coronavirus disease 2019 ("COVID-19").

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a consolidated opinion on these matters.

Valuation of Premium Reserve

Why it is determined to be a Key Audit Matter

As explained in Note 2, the Group calculates premium reserves in accordance with the premium and liability reserve calculation manual under the regulation on Supervision of Insurance Business for settling future insurance claims arisen from the existing contracts at the end of reporting period. Estimation of premium reserve requires assumptions such as interest rate and risk rate defined under Article 6-12 of the regulation on Supervision of the Insurance Business.

Premium reserve is calculated by level premium method, in which the premiums are guaranteed to remain the same throughout the contract. It reserves excess premium when level premium exceeds risk premium in the beginning of the contract to cover the premium shortage at the end of the contract when risk premium exceeds level premium.

Premium reserve recognized in the consolidated statements of financial position is ₩ 97,144,588 million as at the end of reporting period.

The calculation of premium reserve might cause a misstatement due to involvement of various types of contract information and complex models, which could have a material impact on profit for the year and net assets of the Group.

How our audit addressed the Key Audit Matter

We obtained an understanding and assessed the management's procedures and controls to calculate premium reserve. In addition, we obtained an understanding and assessed the Group's policy to calculate premium reserve is in compliance with the Regulation on Insurance Supervision and Detailed Enforcement Regulation on Insurance Supervision. We also reconciled the premium reserve amount on the final premium reserve closing data with the one on the financial closing data.

We tested completeness of insurance contracts subject to premium reserve by examining the contracts details in insurance contract system agree to those in premium reserve calculation system.

We evaluated reliability and accuracy of underlying data of premium reserve calculation and it includes obtaining detailed calculation sheet of premium reserve and examining, on a sample basis, input data required by the Group's policy are completely and appropriately included in the details of calculation.

We obtained an understanding of reserve calculation logic and tested mathematical accuracy of premium reserve valuation through independent recalculation on a sample basis.

We verified accuracy of estimated interest rate and crediting rate of premium reserve, on a sample basis, by agreeing the support documents and disclosed information to inputs configured in premium reserve calculation system

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 exis 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eu-Gene Lee, Certified Public Accountant.

/s/ Samil PricewaterhouseCoopers
Seoul, Korea
March 5, 2021

This report is effective as of March 5, 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 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.

Hanwha Life Insurance Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2020 and 2019

(in millions of Korean won)	Notes		2020		2019
Assets					
Cash and cash equivalents	4,5,6	₩	1,051,931	₩	950,704
Deposits	4,5,6		506,330		1,019,690
Financial assets at fair value through profit or loss	4,5,7,46		8,550,368		7,165,143
Available-for-sale financial assets	4,5,7,46		72,051,185		70,628,054
Investments in associates and joint ventures	9		257,086		230,828
Loans	4,5,10,46		29,596,267		28,812,796
Property and equipment	12,13		1,901,702		1,855,045
Investment property	13		2,550,620		2,553,538
Intangible assets	13		1,133,974		1,162,552
Right-of-use assets	13,14		80,950		78,779
Derivative assets	4,5,11		1,050,529		297,987
Net defined benefit assets	21		4,714		-
Current tax assets			145,445		141,449
Deferred tax assets	39		9,178		15,338
Other financial assets	4,5,15		1,536,070		1,761,323
Other assets	16		3,026,293		3,048,781
Separate account assets	20		25,322,141		22,128,080
Total assets		₩	148,774,784	₩	141,850,087
Liabilities and Equity					
Liabilities					
Insurance contract liabilities	17,18	₩	103,899,221	₩	99,268,148
Policyholders' equity adjustment	19		1,208,302		1,206,759
Current tax liabilities			4,493		5,049
Deferred tax liabilities	39		1,016,190		1,066,200
Derivative liabilities	4,5,11		184,680		607,563
Net defined benefit liabilities	21		167,036		173,802
Provisions	22		76,211		16,473
Other financial liabilities	4,5,23		2,463,328		2,532,401
Other liabilities	24		203,645		154,147
Separate account liabilities	20		25,607,557		22,826,271
Total liabilities			134,830,661		127,856,812
Equity					
Equity attributable to owners of the Parent Company					
Share capital	25		4,342,650		4,342,650
Additional paid-in capital	25		(454,117)		(457,887)
Hybrid capital instruments	26		2,056,344		2,056,297
Other components of equity	27		2,680,982		2,820,597
Retained earnings	28		4,040,570		3,924,201
Non-controlling interests			1,277,694		1,307,416
Total equity			13,944,123		13,993,275
Total liabilities and equity		₩	148,774,784	₩	141,850,087

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

Hanwha Life Insurance Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019

(in millions of Korean won, except per share amount)	Notes		2020		2019
Operating revenues					
Insurance premium income	30	₩	16,227,811	₩	15,588,095
Reinsurance income	31		1,258,202		1,494,807
Interest income	29,41		3,000,406		2,988,083
Gain on compensation receivables	16		-		3,495
Gain on valuation and disposal of financial assets at fair value through profit or loss	29		166,189		150,995
Gain on valuation and disposal of available-for-sale financial assets	29		1,185,890		575,707
Gain on foreign currency transactions and translation	29		697,643		1,403,051
Gain on valuation and disposal of derivatives	11,29		1,594,065		750,582
Other income	32,41		915,944		837,311
Fees from separate accounts			992,878		987,929
Separate account revenue	20		184,025		198,438
			26,223,053		24,978,492
Operating expenses					
Change in reserves for insurance contracts	17		4,686,816		4,645,780
Insurance claims paid	33,41		12,349,442		11,879,743
Reinsurance expenses	31		1,336,768		1,584,249
Business expenses	34,41		2,015,486		1,985,279
Amortization of deferred policy acquisition costs	16		1,250,282		1,252,155
Property administration expenses	35,41		123,482		131,032
Claim handling expenses	36		117,452		116,232
Loss on compensation receivables	16		2,118		-
Loss on valuation and disposal of financial assets at fair value through profit or loss	29		60,226		42,871
Loss on valuation and disposal of available-for-sale financial assets	29		385,873		370,392
Loss on valuation and disposal of loans and other receivables	29		114,595		128,076
Loss on foreign currency transactions and translation	29		1,550,047		366,549
Loss on valuation and disposal of derivatives	11,29		1,162,044		1,767,389
Other expenses	37		454,147		439,876
Fees for separate accounts			53,506		21,032
Separate account expenses	20		184,025		198,438
			25,846,310		24,929,092
Operating profit			376,744		49,400
Non-operating revenues	38		40,866		61,821
Non-operating expenses	38		109,646		76,341
Profit before income tax			307,963		34,879
Income tax expense (Income)	39		66,752		(23,788)
Profit for the year		₩	241,211	₩	58,667

Hanwha Life Insurance Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019

(in millions of Korean won, except per share amount)	Notes		2020		2019
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss					
Gain on revaluation of property and equipment		₩	2,962	₩	3,605
Remeasurements of net defined benefit liabilities			1,476		(2,661)
Items that may be subsequently reclassified to profit or loss					
Changes in the fair value of available-for-sale financial assets			(73,788)		2,267,501
Changes in gains(losses) on valuation of held-to-maturity financial assets			-		(72,581)
Share of other comprehensive income of associates			(1,361)		(4,435)
Changes in fair value of derivatives instruments for hedge accounting			(62,142)		(159,439)
Other comprehensive income of separate accounts			3,560		66,696
Currency translation differences			(31,187)		45,407
Other comprehensive income for the year, net of tax			(160,481)		2,144,093
Total comprehensive income for the year		₩	80,730	₩	2,202,760
Profit is attributable to:					
Owners of the Parent Company		₩	235,078	₩	100,421
Non-controlling interests			6,133		(41,754)
Total comprehensive income for the year is attributable to:					
Owners of the Parent Company		₩	95,744	₩	2,042,313
Non-controlling interests			(15,014)		160,447
Earnings per share					
Basic and diluted earnings per share	40	₩	184	₩	18

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

Hanwha Life Insurance Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2020 and 2019

(in millions of Korean won)	Attributable to owners of the Parent Company							
	Share Capital	Additional Paid-in capital	Hybrid Capital Instruments	Other Components of Equity	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Balance at January 1, 2019	₩ 4,342,650	₩ (458,007)	₩ 1,558,000	₩ 878,706	₩ 3,985,549	₩ 10,306,898	₩ 1,122,759	₩ 11,429,657
Comprehensive income								
Profit for the year	-	-	-	-	100,421	100,421	(41,754)	58,667
Gain on revaluation of property and equipment	-	-	-	3,605	-	3,605	-	3,605
Remeasurements of net defined benefit liabilities	-	-	-	900	-	900	(3,561)	(2,661)
Changes in the fair value of available-for-sale financial assets	-	-	-	2,066,964	-	2,066,964	200,537	2,267,501
Changes in gains(losses) on valuation of held-to-maturity financial assets	-	-	-	(83,049)	-	(83,049)	10,468	(72,581)
Share of other comprehensive income of associates	-	-	-	(4,082)	-	(4,082)	(353)	(4,435)
Changes in the fair value of derivatives instruments for hedge accounting	-	-	-	(154,505)	-	(154,505)	(4,934)	(159,439)
Other comprehensive income of separate accounts	-	-	-	66,696	-	66,696	-	66,696
Currency translation differences	-	-	-	45,363	-	45,363	44	45,407
Transactions with owners								
Dividends paid	-	-	-	-	(75,139)	(75,139)	(7,382)	(82,521)
Issuance of hybrid capital instruments	-	-	498,297	-	-	498,297	-	498,297
Dividends paid to holders of hybrid capital instruments	-	-	-	-	(86,630)	(86,630)	(13,207)	(99,837)
Changes in non-controlling interest	-	120	-	-	-	120	44,799	44,918
Balance at December 31, 2019	₩ 4,342,650	₩ (457,887)	₩ 2,056,297	₩ 2,820,597	₩ 3,924,201	₩ 12,685,859	₩ 1,307,416	₩ 13,993,275

Hanwha Life Insurance Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2020 and 2019

	Attributable to owners of the Parent Company							
(in millions of Korean won)	Share Capital	Additional Paid-in capital	Hybrid Capital Instruments	Other Components of Equity	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Balance at January 1, 2020	₩ 4,342,650	₩ (457,887)	₩ 2,056,297	₩ 2,820,597	₩ 3,924,201	₩ 12,685,859	₩ 1,307,416	₩ 13,993,275
Comprehensive income								
Profit for the year	-	-	-	-	235,078	235,078	6,133	241,211
Transfer of revaluation surplus	-	-	-	(346)	346	-	-	-
Gain on revaluation of property and equipment	-	-	-	2,962	-	2,962	-	2,962
Remeasurements of net defined benefit liabilities	-	-	-	197	-	197	1,279	1,476
Changes in the fair value of available-for-sale financial assets	-	-	-	(51,223)	-	(51,223)	(22,565)	(73,788)
Share of other comprehensive income of associates	-	-	-	(1,444)	-	(1,444)	83	(1,361)
Changes in the fair value of derivatives instruments for hedge accounting	-	-	-	(62,249)	-	(62,249)	107	(62,142)
Other comprehensive income of separate accounts	-	-	-	3,570	-	3,570	(10)	3,560
Currency translation differences	-	-	-	(31,146)	-	(31,146)	(41)	(31,187)
Transactions with owners								
Dividends paid	-	-	-	-	(22,542)	(22,542)	-	(22,542)
Issuance of hybrid capital instruments	-	-	47	-	-	47	-	47
Dividends paid to holders of hybrid capital instruments	-	-	-	-	(96,514)	(96,514)	(11,433)	(107,948)
Share-based payment	-	560	-	-	-	560	-	560
Changes in non-controlling interest	-	3,210	-	65	-	3,275	(3,275)	-
Balance at December 31, 2020	₩ 4,342,650	₩ (454,117)	₩ 2,056,344	₩ 2,680,982	₩ 4,040,570	₩ 12,666,429	₩ 1,277,694	₩ 13,944,123

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

Hanwha Life Insurance Co., Ltd. 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 year		₩	241,211	₩	58,667
Adjustments	43		2,670,326		2,625,094
Changes in operating assets and liabilities	43		(4,836,264)		(4,638,338)
Interest received			2,910,106		2,821,056
Interest paid			(28,048)		(29,404)
Dividends received			589,732		565,053
Income taxes paid			(32,650)		(394,632)
Net cash inflow from operating activities			1,514,412		1,007,494
Cash flows from investing activities					
Disposal of available-for-sale financial assets			15,593,235		11,090,958
Repayment of held-to-maturity financial assets			-		69,314
Disposal of property and equipment and investment property			44,013		101,215
Disposal of intangible assets			11,359		96
Disposal of investments in associates			7,195		6,745
Dividends from investments in associates			7,048		9,634
Decrease in guarantee deposits provided			24,165		27,690
Increase in other financial liabilities			1,014		-
Cash flows from changes in scope of consolidation			(18,374)		12,411
Acquisition of available-for-sale financial assets			(16,144,191)		(11,717,711)
Acquisition of held-to-maturity financial assets			-		(696,902)
Settlement of derivative instruments for hedge accounting			(659,178)		(751,096)
Acquisition of property and equipment and investment property			(72,020)		(101,738)
Acquisition of investments in associates			(35,062)		(100,759)
Acquisition of intangible assets			(94,187)		(51,572)
Increase in guarantee deposits provided			(14,352)		(11,295)
Increase in advance payments			-		(59,854)
Net cash outflow from investing activities			(1,349,335)		(2,172,864)
Cash flows from financing activities					
Increase in non-controlling interest			-		48,400
Decrease in non-controlling interest			(11,433)		(20,588)
Increase in leasehold deposit received			12,844		17,394
Decrease in leasehold deposit received			(13,833)		(15,259)
Issuance of hybrid capital instruments			47		498,297
Dividends paid to holders of hybrid capital instruments			(101,550)		(81,866)
Dividends paid			(22,542)		(75,139)
Repayment of borrowings			(72,164)		(135,100)
Proceeds from borrowings			72,759		-
Changes in other financial liabilities			138,143		89,214
Decrease in lease liabilities			(57,840)		(52,221)
Net cash inflow (outflow) from financing activities			(55,570)		273,131
Net increase (decrease) in cash and cash equivalents			109,507		(892,238)
Cash and cash equivalents at the beginning of the year			950,704		1,838,710
Effects of exchange rate changes on cash and cash equivalents			(8,280)		4,233
Cash and cash equivalents at the end of the year		₩	1,051,931	₩	950,704

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

1. General Information

Hanwha Life Insurance Co., Ltd. (the “Company” or the “Parent Company”), and its subsidiaries (collectively referred to as the “Group”), have prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

The Parent Company was incorporated on September 9, 1946, under the laws of the Republic of Korea. The Parent Company was established as the country’s first life insurance company and currently has seven regional headquarters, 61 regional offices and 497 branch offices for personal insurance and related reinsurance contracts as the main business purpose. The Parent Company was listed on the Korea Exchange in March 2010.

The Parent Company resolved to change its name at the general meeting of shareholders on June 29, 2012, and changed the name to Hanwha Life Insurance Co., Ltd. from Korea Life Insurance Co., Ltd. on October 9, 2012.

The insurance products available and discontinued as at December 31, 2020 are as follows:

(In number of insurance products)

Life insurance

	Insurance products		
Description	**Available**	**Discontinued**	**Total**
Annuity with tax benefits	6	62	68
Annuity	10	152	162
Other life insurance	-	14	14
Whole life, Term life insurance	67	395	462
Endowment insurance	10	101	111
Group insurance	4	31	35
	97	755	852

Non-life insurance

	Insurance products		
Description	**Available**	**Discontinued**	**Total**
General	355	-	355
Automobile	13	2	15
Long-term	37	922	959
Retirement pension	7	-	7
	412	924	1,336

Details of shareholders of the Parent Company as at December 31, 2020, are as follows:

Name of shareholder	Number of shares	Percentage of ownership (%)
Hanwha Engineering & Construction Corporation	217,919,239	25.09
Hanwha Corporation	157,600,000	18.15
Hanwha Galleria Timeworld Co., Ltd.	15,204,166	1.75
Korea Deposit Insurance Corporation	86,857,001	10.00
Treasury shares	117,139,750	13.49
Other	273,809,844	31.52
	868,530,000	100.00

2. 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.

2.1 Basis of preparation

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

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

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

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement 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 3.

2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

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

- 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 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. The amendments do not have a significant impact on the financial statements.

- Amendments to Korean IFRS 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. The amendments do not have a significant impact on the financial statements.

(b) New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group.

- Enactment of Korean IFRS 1109 Financial Instruments

Korean IFRS 1109 *Financial instruments* was issued on September 25, 2015, and is effective for annual periods beginning on or after January 1, 2018. However, under new Korean IFRS 1104 *Insurance Contracts*, the Group plans to choose an optional temporary exemption from applying Korean IFRS 1109 and defer the application of Korean IFRS 1109 until 2020. The Group's activities are predominantly connected with insurance, and the total carrying amount of its insurance related liabilities exceeded 90 percent of the carrying amount of its total liabilities at December 31, 2015. These satisfy the requirements for the optional temporary exemption to apply Korean IFRS 1109. The Group expects to apply Korean IFRS 1109 for annual periods beginning on or after January 1, 2021.

However, the Group expects to apply Korean IFRS 1109 for annual periods beginning on or after January 1, 2023 upon the amendment of Korean IFRS 1104 as the date of initial application of IFRS 17 was postponed to January 1, 2023 according to the resolution of IASB in March 2020.

When applying Korean IFRS 1109, carrying amount and fair value of financial assets by category as at December 31, 2020 and 2019 and variances in the fair value for the year ended December 31, 2020, are as follows:

(in millions of Korean won)	Carrying amount		Fair value		
	2020	**2019**	**2020**	**2019**	**Variances**
Financial assets with contractual cash flows which consist solely of payments of principal and interest on the principal amount outstanding[1]	₩ 93,716,586	₩ 91,616,026	₩ 94,096,106	₩ 91,899,188	₩ 2,196,918
Other financial assets	20,626,096	19,019,672	20,625,916	19,040,200	1,585,716
	₩ 114,342,682	₩ 110,635,698	₩ 114,722,022	₩ 110,939,388	₩ 3,782,634

[1] Carrying amount (before loss allowance) and fair value of above financial assets that do not have low credit risk are ₩ 1,535,176 million and ₩ 1,497,933 million (2019: ₩ 1,813,725 million and ₩ 1,777,013 million), respectively.

- Amendments to Korean IFRS 1116 Lease – 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 financial statements.

- Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, 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 is in review for the impact of these amendments on the financial statements.

- Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities 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 Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 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 financial statements.

- Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an iteam 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, in 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 financial statements.

- Amendments to Korean IFRS 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 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 financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters

- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities

- Korean IFRS 1116 *Leases* – Lease incentives

- Korean IFRS 1041 *Agricultur*e – Measuring fair value

- Amendments to Korean IFRS 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 expectations of management. Also, the settlement of liability include the transfer of the entity’s own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. 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 financial statements.

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recoded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the changed in carrying amount recognized in profit or loss.

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

(c) Elimination of intercompany transactions

Intercompany transactions, balances, income and expenses and unrealized gains and losses on transactions between Group companies are eliminated. Unrealized losses are recognized in profit or loss if the transaction provides evidence of an impairment of assets in the consolidated statements of financial position.

2.4 Operating Segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.5 Foreign Currency Translation

(a) 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 each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. The qualifying cash flow hedges are recognized in other comprehensive income.

Foreign exchange gains and losses that relate to monetary assets and liabilities are presented in the consolidated statements of comprehensive income within 'gain (loss) on foreign currency transactions'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

2.6 Cash and Cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.7 Financial Instruments

2.7.1 Classification

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity financial assets and other financial liabilities carried at amortized cost. The classification depends on the purpose for which the financial assets were acquired and the nature of the assets. Management determines the classification of its financial instruments at initial recognition.

(a) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial instruments held for trading. Financial assets and liabilities are classified in this category if acquired or incurred principally for the purpose of selling or repurchasing it in the short term. Derivatives that are not designated as hedges and financial instruments having embedded derivatives are also included in this category.

In accordance with Korean IFRS 1039 *Financial Instruments: Recognition and Measurement*, the Group may designate the hybrid (combined) contract as a financial asset at fair value through profit or loss, if the contract contains one or more embedded derivatives.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Held-to-maturity financial assets

Held-to-maturity *financial assets* are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group intends and is able to hold to maturity. If the Group were to sell other than an insignificant amounts of held-to-maturity investments, the whole category would be tainted and reclassified as available-for-sale.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in available-for-sale financial assets or not classified in any of the other categories.

(e) Financial liabilities carried at amortized cost

The Group classifies non-derivative financial liabilities as financial liabilities carried at amortized cost, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition.

2.7.2 Recognition and Measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets carried at fair value through profit or loss, including interest income, are presented in the consolidated statements of comprehensive income within ‘gain (loss) on financial assets at fair value through profit or loss’ in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statements of comprehensive income as part of ‘dividend income’ when the Group’s right to receive dividend payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statements of comprehensive income as ‘gain (loss) on available-for-sale financial assets’. Interest on available-for-sale and held-to-maturity financial assets calculated using the effective interest method is recognized in the consolidated statements of comprehensive income as part of ‘interest income’. Dividends on available-for-sale equity instruments are recognized in the consolidated statements of comprehensive income as part of ‘dividend income’ when the Group’s right to receive dividend payments is established.

2.7.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

2.7.4 Impairment of Financial Assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will undergo bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data suggesting that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot be identified with respect to individual financial assets in the portfolio.

Impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted using the initial effective interest rate. The carrying amount of the asset is reduced by the impairment loss amount and the amount of the loss is recognized in the consolidated statements of comprehensive income. In practice, the Group may measure impairment loss based on the fair value of financial asset using an observable market price. Impairment of loans and receivables is presented as a deduction in an allowance account. The Group writes off financial assets when the assets are determined to be no longer recoverable.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (for example, an improvement in debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost, is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated statements of income on equity instruments are not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statements of comprehensive income.

2.7.5 Derecognition

If the Group transfers a financial asset and the transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as “borrowings” in the consolidated statements of financial position.

2.8 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument or not and the nature of the item being hedged. The resulting gain or loss is recognized in ‘gain on valuation and disposal of derivatives’ or ‘loss on valuation and disposal of derivatives’.

The Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 11. Movements on the hedging reserve in other comprehensive income are shown in Note 11.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statements of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, on which the effective interest method is used, is amortized to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements of comprehensive income.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated statements of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statements of comprehensive income.

2.9 Property and Equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment is directly attributable to their purchase or construction, which 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. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow to the Group, and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land and other tangible assets including paintings and calligraphic works. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Useful lives
Buildings	20 - 60 years
Structures	40
Vehicles and equipment	4 - 8
Other	5

If each part of an item of property and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Group reviews the depreciation method and the estimated useful lives and residual values of property and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property and equipment is derecognized.

2.10 Investment Property

Investment property is property held to earn rentals and/or for capital appreciation or both. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is reported at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment properties are depreciated based on the respective assets' estimated useful lives ranging from 20 to 60 years using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2.11 Intangible Assets

(a) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

(b) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(c) Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

2.12 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and business is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or group of CGUs, that is expected to benefit from the synergies of the combination. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2.13 Value of Business Acquired (VOBA: Value of Business Acquired)

In business combination with insurance companies, the Group recognized the differences between the fair value of the acquired insurance liability and carrying amount measured using accounting policy of acquiree, as Value of Business Acquired (intangible asset). The Value of Business Acquired is measured at present value of profit embedded in future cash flows from long- term insurance contract on acquisition date. Actuarial and economic assumptions on acquisition date are used for the calculation of cash flow. Since the intangible asset has limited insurance contract term like as useful lives, it is being systematically amortized in proportion to the expected pattern of consumption of the expected future economic benefits embodied in the asset.

2.14 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. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.15 Leases

(a) Lessor

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 statements of financial position based on their nature.

(b) Lessee

The Group leases various offices and cars. Lease contracts are typically made for fixed periods, but may have extension options.

Contracts may contain both lease and non-lease components. The Group accounts for these lease and non-lease components, separately.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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, initially measured using the index or rate as at the commencement date

- Amounts expected to be payable by the Group (the lessee) under residual value guarantees

- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and

- Payments of penalties for terminating the lease, if the lease term reflects the Group (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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and

- makes adjustments specific to the lease, for example term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT equipment and small items of office furniture.

2.16 Deferred Acquisition Costs

Acquisition costs arising from annuity contracts and long-duration contracts sold after April 1, 2004, excluding any excess amount over estimated acquisition costs (contracts sold after April 1, 2010, excluding the amount exceeding the standard deviation deduction amount.), are deferred and amortized evenly over the premium payment period.

When the period of premium payments is longer than seven years, the amortization period of deferred acquisition costs is seven years. When the contract is canceled, any unamortized portion as at the cancellation date (or the date it becomes invalid in case the contract becomes ineffective before cancellation date) is fully amortized in the fiscal year in which such cancellation occurs.

However, contracts sold after April 1, 2013, has been deferred by limit of a larger amount of paid insurance premium and standard deviation deduction amount (Actual medical insurance and saving life insurance 70~100%, application by contract year, product, channel by the year ended 2017) and are unable to exceed 100% of the standard deviation deduction amount.

2.17 Classification of Insurance Contracts and Investment Contracts

A contract under which one party (the "insurer") accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder is classified as insurance contract. A contract that does not expose the insurer to significant insurance risk, but exposes the financial risk, is classified as investment contract. If the contracts are classified as insurance, the contracts remain insurance contracts until all rights and obligations are extinguished or expire. After classifying the contracts by assessing its quantitative significance, insurance contracts and investment contracts containing a discretionary participation feature are accounted for as insurance contracts in accordance with Korean IFRS 1104 *Insurance Contracts,* and investment contracts without discretionary participation feature are accounted for as financial instruments in accordance with Korean IFRS 1039 *Financial Instruments: Recognition and Measurement.*

2.18 Insurance Contract Liabilities

The Group estimated reserves for future expense, such as premium, reserve for outstanding claims, and reserve for policyholders' dividend and others, for insurance contract. The principal contents are as follows:

(a) Premium reserve

Premium reserves represent the difference between the present value of estimated insurance benefits and the present value of net premiums to be collected after the end of reporting period for long-term and annuity insurance contracts in effect as at the end of reporting period.

(b) Reserve for outstanding claims

As at the end of reporting period, for the contract that an insured event has occurred but the amount of claims payable is not yet determined, the Group records the reserve for the estimated amounts to be paid. Additional expenses arising from litigation, arbitration and claim investigation, expected to be incurred in the process of resolving an insured event are included in the reserves and the expected compensation income is deducted from the reserves.

(c) Reserve for unearned premium

Reserve for unearned premium refers to the premiums due, but whose recognition is deferred.

(d) Reserve for minimum guaranteed benefit

Reserve for minimum guarantee benefit refers to amounts that guarantee a certain level of insurance. It is calculated by considering the future loss in accordance with Detailed Enforcement Regulation on Insurance Supervision.

The Group calculated it applying the change in accumulation base of reserve for minimum guaranteed benefit in accordance with the amendment to the Regulation on Insurance Supervision, and this change in accounting policy has no effect on the consolidated statements of financial position as at December 31, 2019 and January 1, 2019 and consolidated statements of comprehensive income for the year ended December 31, 2019.

(e) Reserve for policyholders' dividends

In compliance with the Supervisory Regulation, the Group reserves represent amounts payable to policyholders due to mortality gains, interest gains, and expense gains.

(f) Reserve for policyholders' profit dividend

Pursuant to relevant laws and contracts, the Group may provide an excess participating policyholder dividend reserve in accordance with the operating results of related insurance products. The reserve may be used to pay participating policyholder dividends or additional dividends.

(g) Reserve for losses on dividend insurance

Reserve for losses on dividend insurance can be provided within 30 percent of excess participating policyholders' dividend reserve. It covers the loss of the participating insurance within five years, and after covering the loss, the remaining reserve would be available for dividends to participating policyholders.

2.19 Liability Adequacy Test

The Group assesses at the end of each reporting period whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. The test considers current estimates of all contractual cash flows for premium reserve and reserve for unearned premium. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in light of the estimated future cash flows, the entire deficiency shall be recognized in the consolidated statements of comprehensive income.

2.20 Claim Handling Cost

Claim handling costs are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Claims handling costs are expenses dealing with accident, and they are accompanying expenses of insurance payments. The Group accumulates expected payments of loss adjustment in the insurance contract liabilities.

2.21 Compensation Receivables

Compensation receivables are calculated by multiplying the average recovery ratio for the last three years from the prior year's reporting period date to the amount of net claims for the three years according to the Regulation on Supervision Insurance Business, based on the estimated amount collectible through sales of collateralized assets or exercise of subrogation rights or any other rights which have been acquired in the course of settling the claims already paid as at settlement of accounts.

2.22 Reinsurance Contracts

In accordance with Korean IFRS 1104 *Insurance Contracts*, the Group does not offset reinsurance assets against the related insurance liabilities and income or expense from reinsurance contracts against the expense or income from the related insurance contracts. The Group considers whether its reinsurance assets are impaired at the end of each reporting period. If a contractor's reinsurance asset is impaired, the contractor shall reduce its carrying amount accordingly and recognize that impairment loss in profit or loss.

2.23 Policyholders' Equity Adjustment

Changes in the fair value of available-for-sale financial assets, share of other comprehensive income of subsidiaries and associates, and others are allocated to policyholder's equity and shareholders' equity in accordance with Regulation on Insurance Supervisory. The amount of policyholder's equity is recorded as policyholders' equity adjustment.

2.24 Separate Account Assets and Liabilities

Separate accounts represent assets and liabilities that are maintained by an insurance entity and are established primarily for the purpose of funding fixed and variable annuity contracts, variable life insurance contracts, variable universal insurance contracts, group annuity contracts, and similar activities.

The Insurance Business Law governs the structure of separate accounts and the Regulation on Insurance Supervision has developed certain regulations with respect to separate accounts. The Regulation on Insurance Supervision indicates that a separate account is legally segregated from the insurer's general account and the assets in the separate accounts are generally restricted from being charged with liabilities arising out of any other business of the insurer.

Separate accounts are currently used to support group severance and variable insurance policies. In sponsoring a group severance insurance plan, the Group generally assumes the risk of investment gains or losses and guarantees the contract holder a specified interest rate. A variable insurance contract is a contractual arrangement that combines some features of an investment company, such as when the contract holder assumes the risk of investment gains or losses, with certain traditional insurance features, such as when the insurance company assumes the risk of mortality and administrative expenses. The fair value of the contract holder's account varies with the investment experience of the specific portfolio of securities, the securities held in the separate accounts.

A separate account is not a legal entity, but an accounting entity with accounting records for variable or fixed-benefit contract assets, liabilities, income and expenses segregated as a discrete operation within the insurance company. The variable contract separate accounts do not affect the results of the insurance company's other separate accounts and its general account.

2.25 Provisions and Contingent Liabilities

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

2.26 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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 nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the consolidated statements of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, 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.
In addition, the Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

2.27 Employee Benefits

(a) Post-employment benefits

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the consolidated statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(b) Other long-term employee benefits

Certain entities within the Group provide long-term employee benefits that are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the consolidated statements of comprehensive income in the period in which they arise. These liabilities are valued annually by an independent qualified actuary.

2.28 Share-based Payments

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense is recognized over the vesting period. Under cash-settled share-based payment plan, the Group measures liabilities for the consideration for employee services received at fair value at initial recognition. The Group is required to remeasure the fair value of the liability at the end of each reporting period, with any changes in value recognized in profit or loss for the year.

2.29 Share Capital

Ordinary shares are classified as equity.

Where the Parent Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received is included in equity attributable to the Group's equity holders.

2.30 Revenue Recognition

(a) Insurance premium

Insurance premiums received in advance are deferred as unearned revenue at the time of receipt. As the contract matures, a proportionate portion of the insurance premium is recognized as revenue over the coverage period. Overdue insurance premiums are not recognized at the end of the reporting period.

(b) Interest income

Interest income is recognized using the effective interest method according to the time passed. The effective interest method is a method of calculating the amortized cost of financial assets or liabilities and of allocating interest income 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 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, the Group uses the contractual cash flows over the full contractual term of the financial instrument.

When financial assets are impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired financial assets is recognized using the original effective interest rate.

(c) Dividends income

Dividend income is recognized when the right to receive payment is established.

2.31 Reserve for Credit Losses

The Group is required to appropriate, as a reserve for credit losses, a difference between the allowance of credit losses in accordance with Korean IFRS 1039 *Financial Instruments: Recognition* *and Measurement* and that under the Supervisory Regulations on Insurance Business if the allowance in accordance with Korean IFRS is less than that in accordance with the Supervisory Regulations on Insurance Business. The reserve for credit losses is included in retained earnings and is allowed to reduce to the reserve amount required by the related financial regulation if the reserve for credit losses is over the required reserve. If there is an accumulated deficit, the reserve for credit losses is not appropriated until the undisposed accumulated deficit is disposed.

2.32 Catastrophe Reserves

The Group annually accumulates the appropriate amount not less than 35 percent not more than 10 percent of the net premium written multiplied by the adjusted rate (2~15%) for each insurance type (fire, marine, auto and casualty, guarantee and foreign direct and assumed reinsurance), within the limit 50 percent (auto 40%, guarantee 150%) of the earned premium of the reporting period in order to make up for the exceptionally large claims in the future. Meanwhile, when accumulating catastrophe reserves, the Group is required to apply 90% as a reserve ratio (however, different reserve ratio may be applied in consideration of the existing reserves, future loss ratio trend and others). The earned premium is based on the current business year, but if the earned premium in the current business year is less than that of the previous business year, it is based on the amount of the previous business year.

Also, when the combined loss ratio of each insurance product exceeds 120% (fire), 110% (marine, auto and casualty), 140% (guarantee), 80% (foreign direct, assumed reinsurance inward), respectively, and if insurance operating loss and loss for the year occur, the excess amount can be reversed within the loss for the year.

2.33 Financial Soundness Reserve

In accordance with Article 6-11 Clause 3 of the Supervisory Regulation on Insurance Industry, newly established in 2020, the Group appropriates the financial soundness reserves within retained earnings in an amount more than the difference between the targeted insurance contract liability subject to adequacy test and the greater of tested amounts of insurance contract liability as at December 31, 2020 and insurance contract liability to be tested at the end of the reporting period. The excess of financial soundness reserves over the required reserve at the end of the reporting period should not be reversed. If there is an accumulated deficit, the financial soundness reserve is not appropriated until the undisposed accumulated deficit is disposed.

2.34 Approval of Issuance of the Financial Statements

The consolidated financial statements 2020 were approved for issue by the Board of Directors on February 19, 2021, and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Defined benefit retirement plans

The Group operates a defined benefit retirement plan for its employees. Defined benefit obligations are calculated based on actuarial valuation method at the end of each reporting period. To apply actuarial valuation method, it requires to make estimates (actuarial assumptions) about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs). Due to the uncertainty of the assumptions used, the amount of defined benefit retirement plans could be materially different from actual incurred payment in future periods.

(b) Fair value of financial assets

As described in Note 4, the Group uses a valuation for financial assets based on assumptions that are not supported by prices from observable current market to estimate fair value of specific financial assets. Management believes the valuation technique and assumptions that are used to determine fair value of financial assets are appropriate.

(c) Assessment of provision for impairment

Assessment of provision for impairment of loans and receivables includes uncertainties in the estimation of expected cash flow for individual assessment and of assumptions and input factors for collective assessment.

(d) Income tax

The Group recorded, based on its best estimate, current taxes and deferred taxes that the Group will be liable in the future for the operating results as of the financial year end. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Group’s income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(e) Premium reserve

The Group calculates premium reserves in accordance with Regulation on Supervision of Insurance Business for settling future insurance claims arisen from the existing contracts at the end of reporting period. Estimation of premium reserve requires assumptions such as actuarial model, interest rate and risk rate defined under Article 6-12 of the Regulation on Supervision of the Insurance Business (Note 17).

During the year ended December 31,2020, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on the global economy. Significant accounting estimates and assumptions applied in the preparation of the consolidated financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

4. Fair Value Measurements

Fair Value Hierarchy

Items that are measured at fair value or for which the fair value is disclosed are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

The fair value of assets and liabilities traded in active markets is based on quoted market prices at the consolidated statements of financial position date. A market is regarded as active 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. These assets and liabilities are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of assets and liabilities are observable, such assets and liabilities are included in Level 2.

If one or more of the significant inputs is not based on observable market data, assets and liabilities are included in Level 3.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Fair value measurements by fair value hierarchy levels as at December 31, 2020 and 2019, are as follows:

	Details
Marketable securities	Listed securities which are traded in an active market are measured at quoted market prices. Otherwise, the value of the securities is determined by using valuation techniques from independent external valuation. Independent external valuator determines more than one valuation technique which is deemed appropriate from models such as DCF (Discounted Cash Flow) model, IMV (Imputed Market Value) model, FCFE (Free Cash Flow to Equity Mode), dividend discount model, risk adjusted discount rate method, and net asset value method.
Loans	Discounted Cash Flow Model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flow, which are contractual cash flows adjusted by prepayment rate, at appropriate discount rate. For those loans with residual maturities of less than one year as of the acquisition date and the ones with interest rate reset period of less than three months, carrying amount is regarded as fair value.
Derivatives instruments	For exchange traded derivatives, quoted price in an active market is used to determine fair value. For OTC (Over-The-Counter) derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters, fair value is determined by independent third-party pricing services. In addition, since some or all parameters are impossible to be observed in the market, some complex financial instruments are valued using independent third-party pricing services.

Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value is disclosed as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at fair value through profit or loss	₩ 211,341	₩ 3,536,388	₩ 4,802,639	₩ 8,550,368
Available-for-sale financial assets	22,310,723	41,957,075	7,651,128	71,918,926
Derivative assets	-	1,050,529	-	1,050,529
	₩ 22,522,064	₩ 46,543,992	₩ 12,453,767	₩ 81,519,823
Financial liabilities				
Derivative liabilities	₩ -	₩ 184,680	₩ -	₩ 184,680

(in millions of Korean won)	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at fair value through profit or loss	₩ 330,948	₩ 2,481,510	₩ 4,352,685	₩ 7,165,143
Available-for-sale financial assets	18,076,765	45,883,281	6,550,074	70,510,120
Derivative assets	-	297,987	-	297,987
	₩ 18,407,713	₩ 48,662,778	₩ 10,902,759	₩ 77,973,250
Financial liabilities				
Derivative liabilities	₩ -	₩ 607,563	₩ -	₩ 607,563

As at December 31, 2020 and 2019, the equity instruments are measured at cost of ₩ 132,258 million and ₩ 117,934 million, respectively, whose fair value cannot be reliably measured and do not have quoted market price in an active market.

It is practically difficult to quantify the intrinsic values of the equity securities, and probabilities and range of estimated cash flows of the securities cannot be reasonably assessed. Therefore, these equity securities are carried at cost. The Group has no plan to sell these instruments in the near future, and is expected to measure their fair value upon the privatization of invested companies or upon further progress of the projects.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Changes in level 3 for recurring fair value measurements 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 and loss		Available-for-sale financial assets		Total	
Beginning Balance	₩	4,352,685	₩	6,550,074	₩	10,902,759
Purchase		670,355		1,503,404		2,173,759
Disposal		(93,827)		(1,327,716)		(1,421,543)
Valuation		(126,574)		13,119		(113,455)
Impairment		-		(84,757)		(84,757)
Reclassification[1]		-		997,004		997,004
Ending Balance	₩	4,802,639	₩	7,651,128	₩	12,453,767

[1] Adjustments resulting from reclassification of available-for-sale financial assets and beneficiary certificates(Subsidiaries) and transfer in (out) into (from) Level 3.

(in millions of Korean won)	2019					
	Financial assets at fair value through profit and loss		Available-for-sale financial assets		Total	
Beginning Balance	₩	3,126,063	₩	5,597,368	₩	8,723,431
Purchase		1,237,386		1,685,915		2,923,301
Disposal		(255,054)		(588,878)		(843,932)
Valuation		145,647		42,188		187,835
Impairment		-		(14,340)		(14,340)
Reclassification[1]		98,643		(172,179)		(73,536)
Ending Balance	₩	4,352,685	₩	6,550,074	₩	10,902,759

[1] Adjustments resulting from reclassification of available-for-sale financial assets and beneficiary certificates(Subsidiaries) and transfer in (out) into (from) Level 3.

The Group’s policy is to recognize transfers between levels of the fair value at the date of the event or change in circumstances that caused the transfer. There are no changes in valuation technique used in level 2 and level 3 fair value measurements.

Sensitive analysis of the fair value measurement of financial instruments classified as Level 3

The sensitive analysis calculates the effect of changes in the unobservable inputs on the fair value measurement of financial assets. The effect is classified as favorable or unfavorable changes. If the fair value is affected by two or more unobservable inputs, the effect is calculated by assuming the most favorable or adverse circumstances. Financial instruments classified as Level 3 are the subject of the sensitive analysis and those include financial assets at fair value through profit or loss, equity securities and beneficiary certificates. The change of the fair value of financial assets at fair value through profit or loss is recognized in profit or loss and of the other financial instruments is recognized in profit or loss or other comprehensive income.

The following table presents the effect of changes in the unobservable inputs on the fair value measurement of financial instruments for the years ended on December 31, 2020 and 2019.

(in millions of Korean won)	2020			
	Profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss [1]	₩ 48,026	₩ (48,026)	₩ -	₩ -
Available-for-sale financial assets [1,2]	-	-	82,851	(82,381)

(in millions of Korean won)	2019			
	Profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss [1]	₩ 43,527	₩ (43,527)	₩ -	₩ -
Available-for-sale financial assets [1,2]	-	-	68,736	(66,679)

[1] Changes in the fair value of other securities and beneficiary certificates are calculated by increasing and decreasing the main unobservable inputs, such as, the price fluctuations of trust properties or real estate, by 1%.

[2] Changes in the fair value of equity securities are calculated by increasing and decreasing the main unobservable inputs of growth rate (0~1%) and discount rate or liquidation value (-1~1%).

The book amount and fair value of financial instruments not subsequently carried at fair value as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020		2019	
	Book amount	**Fair value**	**Book amount**	**Fair value**
Financial assets				
Cash and cash equivalents	₩ 1,051,931	₩ [1]	₩ 950,704	₩ [1]
Deposits	506,330	[1]	1,019,690	[1]
Loans	29,596,267	29,975,607	28,812,796	29,116,486
Other financial assets	1,536,070	[1]	1,761,323	[1]
Financial liabilities				
Other financial liabilities	₩ 2,463,328	₩ [1]	₩ 2,532,401	₩ [1]

[1] These financial assets and liabilities of which book values are considered approximation of fair values are excluded from the fair value disclosure.

Fair value hierarchy classifications of the financial instruments that its fair value is disclosed as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Loans	₩ -	₩ -	₩ 29,975,607	₩ 29,975,607

(in millions of Korean won)	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Loans	₩ -	₩ -	₩ 29,116,486	₩ 29,116,486

The financial assets and liabilities of which book values are considered approximation of fair values are excluded from the fair value disclosure.

Valuation techniques and inputs used in the recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy as at December 31, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)	2020				
	Fair value	**Level**	**Valuation techniques**	**Inputs**	**Range of inputs (%)**
Financial assets					
Financial assets at fair value through profit or loss	₩ 3,536,388	2	Net asset value assessment/DCF	Net asset value, Discount rate	-
	4,802,639	3	Net asset value assessment	Net asset value	-
Available-for-sale financial assets	41,957,075	2	DCF and others	Discount rate	-
	7,651,128	3	DCF/Comparable analysis/Utilization of past transaction/Net asset value assessment	Growth rate	0
				Discount rate	6.05 ~ 12.41
				Net asset value	-
Derivative assets	1,050,529	2	DCF/Embedded forward rate calculation and others	Discount rate	-
Loans [1]	29,975,607	3	DCF	Credit spread, Early redemption rate	-
Financial liabilities					
Derivative liabilities	184,680	2	DCF/Embedded forward rate calculation and others	Discount rate	-

[1] The range of inputs is not disclosed for financial assets whose book amount is measured at amortized cost and fair value is disclosed in the notes.

(in millions of Korean won)	2019				
	Fair value	**Level**	**Valuation techniques**	**Inputs**	**Range of inputs (%)**
Financial assets					
Financial assets at fair value through profit or loss	₩ 2,481,510	2	Net asset value assessment/DCF	Net asset value, Discount rate	-
	4,352,685	3	Net asset value assessment	Net asset value	-
Available-for-sale financial assets	45,883,281	2	DCF and others	Discount rate	-
	6,550,074	3	DCF/Comparable analysis/Utilization of past transaction/Net asset value assessment	Growth rate	0.00~1.00
				Discount rate	2.60~11.14
				Net asset value	-
Derivative assets	297,987	2	DCF/Embedded forward rate calculation and others	Discount rate	-
Loans [1]	29,116,486	3	DCF	Credit spread, Early redemption rate	-
Financial liabilities					
Derivative liabilities	607,563	2	DCF/Embedded forward rate calculation and others	Discount rate	-

[1] The range of inputs is not disclosed for financial assets whose book amount is measured at amortized cost and fair value is disclosed in the notes.

5. Financial Instruments by Category

Categorizations of financial assets and liabilities as at December 31, 2020 and 2019, are as follows:

Financial assets

(in millions of Korean won)	2020				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative instruments for hedging	Total
Cash and cash equivalents	₩ -	₩ -	₩ 1,051,931	₩ -	₩ 1,051,931
Deposits	-	-	506,330	-	506,330
Securities	8,550,368	72,051,185	-	-	80,601,553
Loans	-	-	29,596,267	-	29,596,267
Derivative assets	257,427	-	-	793,102	1,050,529
Other financial assets	-	-	1,536,070	-	1,536,070
	₩ 8,807,795	₩ 72,051,185	₩ 32,690,598	₩ 793,102	₩ 114,342,680

(in millions of Korean won)	2019				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative instruments for hedging	Total
Cash and cash equivalents	₩ -	₩ -	₩ 950,704	₩ -	₩ 950,704
Deposits	-	-	1,019,690	-	1,019,690
Securities	7,165,143	70,628,054	-	-	77,793,197
Loans	-	-	28,812,796	-	28,812,796
Derivative assets	51,001	-	-	246,986	297,987
Other financial assets	-	-	1,761,323	-	1,761,323
	₩ 7,216,144	₩ 70,628,054	₩ 32,544,513	₩ 246,986	₩ 110,635,697

Financial liabilities

(in millions of Korean won)	2020			
	Financial liabilities at fair value through profit or loss	**Hedged derivative instruments**	**Financial liabilities carried at amortized cost**	**Total**
Derivative liabilities	₩ 2,896	₩ 181,784	₩ -	₩ 184,680
Other financial liabilities	-	-	2,463,328	2,463,328
	₩ 2,896	₩ 181,784	₩ 2,463,328	₩ 2,648,008

(in millions of Korean won)	2019			
	Financial liabilities at fair value through profit or loss	**Hedged derivative instruments**	**Financial liabilities carried at amortized cost**	**Total**
Derivative liabilities	₩ 41,774	₩ 565,789	₩ -	₩ 607,563
Other financial liabilities	-	-	2,532,401	2,532,401
	₩ 41,774	₩ 565,789	₩ 2,532,401	₩ 3,139,964

6. Cash and Cash Equivalents, and Deposits

Cash and cash equivalents and deposits as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	Financial institution	Annual interest rate (%)	2020	2019
Cash and cash equivalents:				
Cash and demand deposits	KB Kookmin Bank and others	0~5	₩ 271,759	₩ 235,025
Money market deposit accounts("MMDA") and others	KEB Hana Bank and others	0.1~2.0	780,172	715,679
			1,051,931	950,704
Bank deposits:				
Term deposits	Woori Bank and others	0.7~8.4	237,797	269,671
Others	Kyobo Securities and others	1.7~5.8	268,533	750,019
			506,330	1,019,690
			₩ 1,558,261	₩ 1,970,394

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

(in millions of Korean won)	Financial institution	2020	2019	Reason for restrictions
Other deposits	KEB Hana Bank and others	₩ 1,437	₩ 1,421	Collateral for guarantees received and others
Deposits for opening checking account	KEB Hana Bank and others	18	18	Guarantees for deposit for opening of checking account
Ordinary deposits	Korea Securities Finance Corp.	1,931	-	Deposit of investor's deposit

7. Financial Assets at Fair Value through Profit or Loss, Available-For-Sale and Held-To-Maturity

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

(in millions of Korean won)		2020		2019
Trading securities				
Equity securities:				
Stocks	₩	417,106	₩	403,011
Beneficiary certificates		1,151,700		986,940
		1,568,806		1,389,951
Debt securities:				
Government and public bonds		4,428		14,493
Corporate bonds		57,659		51,965
		62,087		66,458
Overseas securities		5,202,406		4,885,412
Other securities		1,717,069		823,322
	₩	8,550,368	₩	7,165,143

Details of available-for-sale financial assets as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Equity securities:				
Stocks	₩	730,217	₩	783,352
Investments		114,383		55,740
Beneficiary certificates		6,708,177		5,615,659
		7,552,777		6,454,751
Debt securities:				
Government and public bonds		21,431,219		15,106,323
Special bonds		14,576,971		14,266,279
Financial bonds		861,047		806,216
Corporate bonds		5,025,744		4,310,878
Others [1]		37,368		6,934
		41,932,349		34,496,630
Overseas securities		22,191,558		29,086,347
Other securities		374,500		362,730
Others [1]		-		227,596
	₩	72,051,184	₩	70,628,054

[1] Transfer transactions that do not meet the derecognition requirements in accordance with Korean IFRS 1039. The Group receives commission through the loan of financial assets currently held in Korea Securities Depository and other as at December 31, 2020 and 2019.

Details of impairment losses on available-for-sale financial assets for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		**2020**		**2019**
Stocks and investments	₩	117,773	₩	5,936
Beneficiary certificates		44,796		178,852
Overseas securities		11,711		78,540
Other securities		43,473		2,277
	₩	217,753	₩	265,605

Changes in the fair value of available-for-sale financial assets for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020				
	Beginning balance	**Valuation**	**Profit or loss**	**Changes in scope of consolidation**	**Ending balance**
Changes in the fair value of available-for-sale financial assets	₩ 4,588,253	₩ 421,033	₩ (525,583)	₩ 28	₩ 4,483,731
The amount allocated to policyholders' equity adjustment	(1,105,959)				(1,111,540)
The amount allocated to shareholders' equity	3,482,294				3,372,191
Deferred tax effect	(906,312)				(847,432)
Shareholders' equity, net of deferred tax	₩ 2,575,982				₩ 2,524,759

(in millions of Korean won)	2019					
	Beginning balance	**Valuation**	**Profit or loss**	**Changes in scope of consolidation**	**Reclassification [1]**	**Ending balance**
Changes in the fair value of available-for-sale financial assets	₩ (76,613)	₩ 3,237,334	₩ 305,516	₩ (8,736)	₩ 1,130,752	₩ 4,588,253
The amount allocated to policyholders' equity adjustment	(49,554)					(1,105,959)
The amount allocated to shareholders' equity	(126,167)					3,482,294
Deferred tax effect	32,173					(906,312)
Shareholders' equity, net of deferred tax	₩ (93,994)					₩ 2,575,982

[1] Adjustments resulting from reclassification of held-to-maturity financial assets to available-for-sale financial assets.

Changes in the gains or losses on valuation of held-to-maturity financial assets recognized in accumulated other comprehensive income for the year ended December 31, 2019, are as follows:

(in millions of Korean won)	2019			
	Beginning balance	**Profit or loss**	**Reclassification** [1]	**Ending balance**
Gains or losses on valuation of held-to-maturity financial assets	₩ 1,303,833	₩ (173,080)	₩ (1,130,752)	₩ -
The amount allocated to policyholders' equity adjustment	(382,944)			-
The amount allocated to shareholders' equity	920,889			-
Deferred tax effect	(234,827)			-
Shareholders' equity, net of deferred tax	₩ 686,062			₩ -

[1] Adjustments resulting from reclassification of held-to-maturity financial assets to available-for-sale financial assets.

During the year ended December 31, 2019, the Group's management reclassified held-to-maturity financial assets to available-for-sale financial assets as their intent and ability to hold held-to-maturity financial assets changed. Details of held-to-maturity financial assets reclassified as at the date of reclassification are as follows:

(in millions of Korean won)	**Nominal amount**	**Acquisition cost**	**Carrying amount**	**Fair value**
Government and public bonds	₩ 12,627,681	₩ 11,002,116	₩ 12,137,009	₩ 12,888,445
Special bonds	9,668,500	9,743,671	10,302,880	10,779,905
Corporate bonds	1,210,900	1,209,258	1,249,551	1,355,487
Overseas bonds	14,365,736	13,867,388	14,228,515	15,483,618
	₩ 37,872,817	₩ 35,822,433	₩ 37,917,955	₩ 40,507,455

8. Subsidiaries

Details of subsidiaries as at December 31, 2020 and 2019, are as follows:

Name of company	Main operating activity	Location	Ownership held by the Group (%) 2020	2019
Subsidiaries				
Hanwha Asset Management Co., Ltd.	Asset management	Korea	100	100
Hanwha 63 City Corporation	Real estate management, service and etc.	Korea	100	100
Hanwha I&A Co., Ltd.	Services for insurance	Korea	100	100
Hanwha Life Asset Co., Ltd.[7]	Insurance agent and brokerage	Korea	100	100
Hanwha Life Insurance Company Limited (Vietnam)	Life insurance	Vietnam	100	100
Hanwha Financial Technology Company Limited [1]	Digital solution	Vietnam	100	-
PT. Hanwha Life Insurance Indonesia	Life insurance	Indonesia	99.6	99.6
Hanwha General Insurance Co., Ltd.	Non-life insurance	Korea	51.4	51.4
Carrot General Insurance Co., Ltd.[2]	Non-life insurance	Korea	55.1	68.3
Hanwha Asset Management(USA) Ltd. [3]	Oversea securities investment	USA	100	100
Hanwha Asset Management Pte., Ltd. [3]	Asset management	Singapore	100	100
Hanwha Investment Management Pte., Ltd. [3]	Asset management	China	100	100
Beneficiary certificates				
Mirae Asset Global Renewable Energy Private special Asset Investment Trust 2	Collective investment schemes (special asset)	Korea	100	100
Mirae Asset MAPS Global Renewable Energy Private special Asset Investment Trust 1	Collective investment schemes (special asset)	Korea	100	100
Simone Global Venture Special Asset Investment Trust 1	Collective investment schemes (security)	Korea	100	100
Shinhan BNPP Global Solar Energy Special Asset Investment Trust (Solar Energy Project)	Collective investment schemes (special asset)	Korea	100	100
Shinhan BNPP Seoul-Munsan Expressway Special Asset Investment Trust	Collective investment schemes (special asset)	Korea	93.3	93.3
IGIS KORIF Private Placement Fund 17-1	Collective investment schemes (real estate)	Korea	100	100
IGIS KORIF Private Placement Fund 17-2	Collective investment schemes (real estate)	Korea	100	100
IGIS KORIF Private Placement Fund 17-3	Collective investment schemes (real estate)	Korea	100	100
IGIS KORIF Private Placement Fund 17-4	Collective investment schemes (real estate)	Korea	100	100
Pine Tree Sol III Specialized Private Placement Investment Trust No.3	Collective investment schemes (real estate)	Korea	100	99.1

Name of company	Main operating activity	Location	Ownership held by the Group (%)	
			2020	2019
Pine Tree Sol III Specialized Private Placement Investment Trust No.5	Collective investment schemes (real estate)	Korea	97.7	97.1
Pine Tree Sol III Specialized Private Placement Investment Trust No.6-2	Collective investment schemes (real estate)	Korea	98	98
Hana HW Landchip Private Real Estate Feeder Investment Trust No. 1	Collective investment schemes (real estate)	Korea	98	98
Hanwha Prudential US Real Estate Debt Private Real Estate Fund 1	Collective investment schemes (real estate)	Korea	100	100
Hanwha AI Global Choice Private Placement 1	Collective investment schemes (real estate/special asset)	Korea	100	100
Hanwha AI Global Choice Private Fund 2 (FOF)	Collective investment schemes (security)	Korea	99	100
Hanwha CONSUMER CREDIT Private Special Asset Investment Trust Security 1	Collective investment schemes (special asset)	Korea	100	100
Hanwha DEBT STRATEGY Private Special Asset Investment Trust Security 6	Collective investment schemes (real estate)	Korea	100	100
Hanwha LTI Private Special Asset Investment Trust Security II (infra)	Collective investment schemes (special asset)	Korea	90.6	90.6
Hanwha LTI Infra Private Special Asset Investment Trust Security I	Collective investment schemes (special asset)	Korea	100	100
Hanwha Tri-circle Infra Special Asset I	Collective investment schemes (special asset)	Korea	100	100
Hanwha Tri-circle Infra Special Asset III	Collective investment schemes (special asset)	Korea	95	95
Samsung VLCC special Asset Investment Trust 1	Collective investment schemes (special asset)	Korea	75	68.3
Mirae Asset UK Gas Infrastructure Qualified Investors Private Special Asset Investment Trust 1	Collective investment schemes (special asset)	Korea	83.8	83.8
Hanwha Asia Opportunity Private Fund I	Collective investment schemes (security)	Korea	100	100
Hanwha Vietnam Legend Feeder Fund C-F	Collective investment schemes (security)	Korea	100	100
Hanwha Global Infrastructure Strategy Fund I	Collective investment schemes (special asset)	Korea	100	100
Hanwha Global Corporate PE Strategy Private Fund I	Collective investment schemes (security)	Korea	100	100
Hanwha Global Real Estate Strategy Private Fund I	Collective investment schemes (real estate)	Korea	100	100
Kyobo-AXA Bongdam-Songsan Expressway Qualified Investors Private Special Asset Investment Trust I	Collective investment schemes (special asset)	Korea	85.2	85.2

Name of company	Main operating activity	Location	Ownership held by the Group (%) 2020	2019
Hanwha Asean Legend Feeder Fund C-F	Collective investment schemes (security)	Korea	100	100
Hanwha Global Real Asset Balanced Asset Feeder Investment Trust – Balanced FoF Class C-F[4]	Collective investment schemes (security)	Korea	-	100
Hanwha Total Portfolio Solution Fund	Collective investment schemes (security)	Korea	100	100
Hanwha Lifestyle Private Fund I	Collective investment schemes (security)	Korea	100	100
Hanwha Global Corporate PE Strategy Private Fund 2	Collective investment schemes (security)	Korea	100	100
Hanwha Global Real Estate Strategy Private Real Estate Fund 2	Collective investment schemes (real estate)	Korea	100	100
Hanwha Global Infrastructure Strategy Private Fund 2	Collective investment schemes (special asset)	Korea	100	100
Hanwha LIFEPLUSTDF2020 Feeder Fund C-F[4]	Collective investment schemes (security)	Korea	-	99.2
Hanwha LIFEPLUSTDF2025 Feeder Fund C-F[4]	Collective investment schemes (security)	Korea	-	99.5
Hanwha LIFEPLUSTDF2030 Feeder Fund C-F	Collective investment schemes (security)	Korea	100	99.2
Hanwha LIFEPLUSTDF2035 Feeder Fund C-F	Collective investment schemes (security)	Korea	100	99.5
Hanwha LIFEPLUSTDF2040 Feeder Fund C-F	Collective investment schemes (security)	Korea	100	99.7
Hanwha LIFEPLUSTDF2045 Feeder Fund C-F	Collective investment schemes (security)	Korea	100	99.6
Hanwha Vietnam Opportunity Private Fund 1	Collective investment schemes (security)	Korea	100	100
Hanwha Corporation Exclusive Global Securities Feeder Investment Trust – Bond Class C	Collective investment schemes (security)	Korea	91.3	95.2
Hanwha Green Love Infra Private 1 (SOC) [5]	Collective investment schemes (special asset)	Korea	50	50
Hanwha photovoltaic power generation private 1 [5]	Collective investment schemes (special asset)	Korea	50	50
Hanwha Green Love Private 2 (Infra) [5]	Collective investment schemes (special asset)	Korea	40.3	40.3
Hanwha GwangJu Belt-Highway Private 1 (Infra) [5]	Collective investment schemes (special asset)	Korea	50	50
Hanwha Photovoltaic power generation Private 2 [5]	Collective investment schemes (special asset)	Korea	50	50

Name of company	Main operating activity	Location	Ownership held by the Group (%)	
			2020	2019
Hanwha Korea Legend 4th Industrial Revolution Fund(Equity) C-F	Collective investment schemes (security)	Korea	100	57.9
Hanwha Global Credit Strategy Private Fund 1 (FoF)	Collective investment schemes (special asset)	Korea	100	100
Gangso Renewable Energy Innovation Fund	Venture capital investment association	Korea	99	99
Hanwha Asia Legend 4th Industrial Revolution Fund - Feeder Fund (Equity) C-F[4]	Collective investment schemes (security)	Korea	-	88.8
Hanwha SRI Fund(Equity) - Feeder Fund (Equity) C-F	Collective investment schemes (security)	Korea	100	49.9
Hanwha Global Infrastructure Strategy Private Fund 3	Collective investment schemes (special asset)	Korea	88	88
Hanwha the third gyeongin highway Private Fund I [5]	Collective investment schemes (special asset)	Korea	48.2	48.2
HYUNDAI INVEST GLOBAL INFRA DEBT SPECIAL ASSET HEDGE FUND NO. 15 (LOAN)	Collective investment schemes (special asset)	Korea	100	100
Hanwha Debt Strategy Private Real Estate Fund 16	Collective investment schemes (real estate)	Korea	50.9	50.9
Hanwha ARIRANG US Short-Term Credit Bond ETF	Collective investment schemes (security)	Korea	65.2	65.2
Hanwha ARIRANG US Long-Term Credit Bond ETF	Collective investment schemes (security)	Korea	56	62.5
Hanwha Asia REITs Fund – Feeder Fund (REITs-FoFs) C-F[4]	Collective investment schemes (security)	Korea	-	100
Hanwha Co-Investments Private Fund I [5,6]	Collective investment schemes (special asset)	Korea	50	-
Hanwha Dream Fund 1[6]	Venture capital investment association	Korea	99	-
Hanwha Wind-Solar Private Fund I[5,6]	Collective investment schemes (special asset)	Korea	50	-
Hanwha Korea Legend Dividend Securities Feeder Fund (Equity) C-F[6]	Collective investment schemes (security)	Korea	100	-
Capstone Private Real Estate Fund 22[6]	Collective investment schemes (real estate)	Korea	100	-
Hanwha Ssolssolhan Korea Bond Securities Feeder Fund (Bond) C-F[6]	Collective investment schemes (security)	Korea	79.5	-
Hanwha Lifeplus TDF2050 Balanced-Fund of Funds C-F[6]	Collective investment schemes (security)	Korea	100	-
Hanwha Global Infrastructure Strategy Private Fund 4[6]	Collective investment schemes (special asset)	Korea	73.8	-

Name of company	Main operating activity	Location	Ownership held by the Group (%) 2020	2019
Hanwha Asia Growth Private Fund 1[6]	Collective investment schemes (special asset)	Korea	100	-
Macquarie Korea Global Infrastructure Debt Fund 5[6]	Collective investment schemes (special asset)	Korea	94.1	-
Shinhan AIM Real Estate Private Fund 10[6]	Collective investment schemes (real estate)	Korea	100	-
Hanwha DEBT STRATEGY Real Estate Private Fund 3[5,6]	Collective investment schemes (real estate)	Korea	50	-
Meritz Real Estate Private Fund 6[6]	Collective investment schemes (real estate)	Korea	99.4	-
Shinhan AIM Real Estate Private Fund 7[6]	Collective investment schemes (real estate)	Korea	100	-
IGIS Real Estate Private Fund 221[6]	Collective investment schemes (real estate)	Korea	99.4	-
MiraeAsset MAPS Aqua Private Special Asset Investment Trust 1[6]	Collective investment schemes (special asset)	Korea	100	-
Meritz Real Estate Private Fund 7[6]	Collective investment schemes (real estate)	Korea	99.4	-
KTB Global CREDEBT Real Estate Private Fund 6[6]	Collective investment schemes (real estate)	Korea	84.8	-

[1] The entities are newly established in 2020 and the Group exercises control through Hanwha Life Insurance Company Limited (Vietnam), a subsidiary.

[2] The Group exercises control through Hanwha General Insurance Co., Ltd., a subsidiary.

[3] The Group holds 100% ownership through the Group's subsidiary, Hanwha Asset Management Co., Ltd.

[4] The entities are excluded from consolidation due to loss of control in 2020.

[5] Although the Group owns less than 50% of shares, nine beneficiary certificates including Hanwha Green Love Private 2 (Infra) are included in consolidated subsidiaries in accordance with Korean IFRS 1110, considering percentage of ownership and substantial agent relationship.

[6] In 2020, the Group newly acquired the shares of Hanwha GLOBAL INFRASTRUCTURE STRATEGY 4 and 17 other beneficiary certificates, and those newly purchased shares are classified as investments in subsidiaries in accordance with Korean IFRS 1110.

[7] Hanwha Life Asset Co., Ltd. merged with Hanwha Financial Asset Co., Ltd. during the year ended December 31, 2020.

As at December 31, 2020, Consus Incheon sewage pipes private investment trust I and 21 other beneficiary certificates, although the Group owns more than 50% of shares, are excluded from consolidated subsidiaries, in accordance with Korean IFRS 1110, as the Group is unable to exercise voting rights by an agreement with other shareholders and therefore do not have a practical decision on related activities of investee.

In 2020, Hanwha Financial Technology Company Limited and 18 beneficiary certificates including Hanwha Global Infrastructure Strategy Private Fund 4 are newly included in the consolidation, and 6 beneficiary certificates including Hanwha Financial Asset Co., Ltd. are excluded from the consolidation.

Summarized financial information of major subsidiaries of the Group as at December 31, 2020 and 2019, is as follows:

(in millions of Korean won)	2020					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehen-sive income**
Subsidiaries						
Hanwha Asset Management Co., Ltd.	₩ 777,512	₩ 41,564	₩ 735,948	₩120,117	₩ 23,465	₩ 28,515
Hanwha 63 City Corporation	53,811	14,796	39,015	97,078	2,140	2,343
Hanwha I&A Co., Ltd.	23,636	9,268	14,368	42,664	2,021	2,007
Hanwha Life Asset Co., Ltd.	33,148	15,284	17,864	44,556	(7,546)	(7,364)
Hanwha Life Insurance Company Limited (Vietnam)	573,155	333,532	239,623	208,460	11,645	15,403
Hanwha Financial Technology Company Limited	18,861	19	18,842	-	-	-
PT. Hanwha Life Insurance Indonesia	165,790	15,318	150,472	19,436	1,396	340
Hanwha General Insurance Co., Ltd. [1]	19,479,137	17,771,895	1,707,242	7,813,898	88,383	204,397
Carrot General Insurance Co., Ltd.	87,812	35,973	51,839	39,584	(38,120)	(38,703)
Hanwha Asset Management (USA) Ltd.	11,869	2,249	9,620	5,648	185	(47)
Hanwha Asset Management Pte., Ltd.	31,511	807	30,704	1,059	(1,921)	(3,170)
Hanwha Investment Management Pte., Ltd.	11,669	78	11,591	2	3	88
Beneficiary certificates						
Mirae Asset Global Renewable Energy Private special Asset Investment Trust 2	252,322	300	252,022	41,562	14,541	14,541
Mirae Asset MAPS Global Renewable Energy Private special Asset Investment Trust 1	214,348	471	213,877	68,198	38,603	38,603
Simone Global Venture Special Asset Investment Trust 1	164,521	51	164,470	29,530	19,976	19,976
Shinhan BNPP Global Solar Energy Special Asset Investment Trust (Solar Energy Project)	1,148	65	1,083	5,789	2,442	2,442

(in millions of Korean won)	2020					
	Total assets	Total liabilities	Total equity	Operating revenue	Profit (loss) for the year	Comprehen-sive income
Shinhan BNPP Seoul-Munsan Expressway Special Asset Investment Trust	194,295	40	194,255	8,156	8,027	8,027
IGIS KORIF Private Placement Fund 17-1	1,206	1	1,205	209	168	168
IGIS KORIF Private Placement Fund 17-2	1,365	1	1,364	378	332	332
IGIS KORIF Private Placement Fund 17-3	1,280	1	1,279	327	283	283
IGIS KORIF Private Placement Fund 17-4	1,324	1	1,323	335	290	290
Pine Tree Sol III Specialized Private Placement Investment Trust No.3	6,320	1,270	5,050	5,412	4,196	4,196
Pine Tree Sol III Specialized Private Placement Investment Trust No.5	4,849	400	4,449	4,981	3,692	3,692
Pine Tree Sol III Specialized Private Placement Investment Trust No.6-2	2,638	517	2,121	29,012	16,108	181
Hana HW Landchip Private Real Estate Feeder Investment Trust No. 1	200,744	102,240	98,504	12,157	5,507	5,507
Hanwha Prudential US Real Estate Debt Private Real Estate Fund 1	145	-	145	7	(10)	(10)
Hanwha AI Global Choice Private Placement 1	233,620	119	233,501	42,183	(45,055)	(45,055)
Hanwha AI Global Choice Private Fund 2 (FOF)	81,360	11	81,349	11,525	(3,710)	(3,710)
Hanwha CONSUMER CREDIT Private Special Asset Investment Trust Security 1	23,004	91	22,913	9,092	(698)	(698)
Hanwha DEBT STRATEGY Private Special Asset Investment Trust Security 6	351,322	286	351,036	47,342	4,897	4,897
Hanwha LTI Private Special Asset Investment Trust Security II (infra)	57,302	2	57,300	2,131	1,884	1,884
Hanwha LTI Infra Private Special Asset Investment Trust Security I	345,019	200	344,819	12,706	11,393	11,393
Hanwha Tri-circle Infra Special Asset I	146,674	28	146,646	4,800	4,258	4,258
Hanwha Tri-circle Infra Special Asset III	41,543	18	41,525	2,330	2,221	2,221
Samsung VLCC special Asset Investment Trust 1	100,368	15	100,353	15,245	4,631	4,631
Mirae Asset UK Gas Infrastructure Qualified Investors Private Special Asset Investment Trust 1	470,493	119	470,374	49,350	20,959	20,959

(in millions of Korean won)	2020					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehen-sive income**
Hanwha Asia Opportunity Private Fund I	75,723	1,539	74,184	8,594	835	835
Hanwha Vietnam Legend Feeder Fund C-F	12,579	9	12,570	781	668	668
Hanwha Global Infrastructure Strategy Fund I	434,876	2,113	432,763	49,547	24,674	24,674
Hanwha Global Corporate PE Strategy Private Fund I	186,803	847	185,956	13,583	(7,608)	(7,608)
Hanwha Global Real Estate Strategy Private Fund I	293,553	1,168	292,385	39,900	8,263	8,263
Kyobo-AXA Bongdam-Songsan Expressway Qualified Investors Private Special Asset Investment Trust I	186,486	39	186,447	4,846	4,718	4,718
Hanwha Asean Legend Feeder Fund C-F	25,903	37	25,866	-	(4,389)	(4,389)
Hanwha Total Portfolio Solution Fund	253,074	59	253,015	41,310	12,226	12,226
Hanwha Lifestyle Private Fund I	72,616	652	71,964	5,751	4,078	4,078
Hanwha Global Corporate PE Strategy Private Fund 2	263,701	1,515	262,186	19,010	(2,396)	(2,396)
Hanwha Global Real Estate Strategy Private Real Estate Fund 2	346,767	3,832	342,935	189,125	9,545	9,545
Hanwha Global Infrastructure Strategy Private Fund 2	487,837	6,578	481,259	46,972	8,227	8,227
Hanwha LIFEPLUSTDF2030 Feeder Fund C-F	6,431	1	6,430	565	545	545
Hanwha LIFEPLUSTDF2035 Feeder Fund C-F	6,506	1	6,505	602	579	579
Hanwha LIFEPLUSTDF2040 Feeder Fund C-F	6,578	1	6,577	642	615	615
Hanwha LIFEPLUSTDF2045 Feeder Fund C-F	6,606	1	6,605	650	623	623
Hanwha Vietnam Opportunity Private Fund 1	448,298	1,353	446,945	886	(36,753)	(36,753)
Hanwha Corporation Exclusive Global Securities Feeder Investment Trust – Bond Class C	162,621	81	162,540	11,504	10,972	10,972
Hanwha Green Love Infra Private 1 (SOC)	23,989	128	23,861	739	471	471
Hanwha photovoltaic power generation private 1	2,439	2	2,437	220	208	208
Hanwha Green Love Private 2 (Infra)	8,381	1	8,380	349	224	224
Hanwha GwangJu Belt-Highway Private 1 (Infra)	44,845	1	44,844	4,042	3,857	3,857
Hanwha Photovoltaic power generation Private 2	54,272	13	54,259	3,248	2,978	2,978

(in millions of Korean won)	2020					
	Total assets	Total liabilities	Total equity	Operating revenue	Profit (loss) for the year	Comprehensive income
Hanwha Korea Legend 4th Industrial Revolution Fund(Equity) C-F	9,044	3	9,041	3,552	3,498	3,498
Hanwha Global Credit Strategy Private Fund 1 (FoF)	327,201	978	326,223	22,673	(152)	(152)
Gangso Renewable Energy Innovation Fund	84,669	724	83,945	7,934	7,511	7,511
Hanwha Asia Legend 4th Industrial Revolution Fund - Feeder Fund (Equity) C-F	2,557	410	2,147	440	418	418
Hanwha SRI Fund(Equity) - Feeder Fund (Equity) C-F	15,800	4	15,796	4,640	4,580	4,580
Hanwha Global Infrastructure Strategy Private Fund 3	407,462	1,613	405,849	95,411	30,732	30,732
Hanwha the third gyeongin highway Private Fund I	394,116	129	393,987	23,059	21,488	21,488
HYUNDAI INVEST GLOBAL INFRA DEBT SPECIAL ASSET HEDGE FUND NO. 15 (LOAN)	77,449	217	77,232	8,458	1,944	1,944
Hanwha Debt Strategy Private Real Estate Fund 16	91,086	106	90,980	5,025	497	497
Hanwha ARIRANG US Short-Term Credit Bond ETF	21,231	22	21,209	932	(820)	(820)
Hanwha ARIRANG US Long-Term Credit Bond ETF	25,919	85	25,834	3,065	1,002	1,002
Hanwha Co-Investments Private Fund I[2]	20,112	52	20,060	2,312	199	199
Hanwha Dream Fund 1[2]	34,898	425	34,473	33	(1,527)	(1,527)
Hanwha Wind-Solar Private Fund I[2]	33,246	10	33,236	442	418	418
Hanwha Korea Legend Dividend Securities Feeder Fund (Equity) C-F[2]	3,895	6	3,889	1,245	1,228	1,228
Capstone Private Real Estate Fund 22[2]	122,749	82,168	40,581	8,522	6,319	6,319
Hanwha Ssolssolhan Korea Bond Securities Feeder Fund (Bond) C-F[2]	14,035	-	14,035	95	84	84
Hanwha Lifeplus TDF2050 Balanced-Fund of Funds C-F[2]	5,559	3	5,556	364	357	357
Hanwha Global Infrastructure Strategy Private Fund 4[2]	78,113	28	78,085	2,252	255	255
Hanwha Asia Growth Private Fund 1[2]	329,879	274	329,605	6,296	(5,648)	(5,648)
Macquarie Korea Global Infrastructure Debt Fund 5[2]	23,777	102	23,675	182	(122)	(122)
Shinhan AIM Real Estate Private Fund 10[2]	53,399	142	53,257	-	-	-
	77,096	4	77,092	-	-	-

(in millions of Korean won)	2020					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehen-sive income**
Hanwha DEBT STRATEGY Real Estate Private Fund 3[2]						
Meritz Real Estate Private Fund 6[2]	64,849	16	64,833	-	-	-
Shinhan AIM Real Estate Private Fund 7[2]	91,990	25	91,965	-	-	-
IGIS Real Estate Private Fund 221[2]	35,894	416	35,478	-	-	-
MiraeAsset MAPS Aqua Private Special Asset Investment Trust 1[2]	2,163	4	2,159	-	-	-
Meritz Real Estate Private Fund 7[2]	80,967	23	80,944	-	-	-
KTB Global CREDEBT Real Estate Private Fund 6[2]	59,386	27	59,359	-	-	-

[1] Fair value measurements from business combination are not included in the financial information.

[2] The entities are included in the scope of consolidation in 2020 and profit or loss after consolidation is only presented.

(in millions of Korean won)	2019					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehen-sive income**
Subsidiaries						
Hanwha Asset Management Co., Ltd.	₩ 234,591	₩ 34,701	₩ 199,890	₩ 110,682	₩ 16,604	₩ 5,238
Hanwha 63 City Corporation	53,054	16,382	36,672	99,238	2,226	1,707
Hanwha I&A Co., Ltd.	22,839	10,479	12,360	39,727	1,634	2,119
Hanwha Life Asset Co., Ltd.	24,074	7,395	16,679	45,855	(986)	(986)
Hanwha Financial Asset Co., Ltd.	16,559	4,629	11,930	11,099	(2,099)	(2,098)
Hanwha Life Insurance Company Limited (Vietnam)	496,254	272,034	224,220	174,826	19,971	53,175
PT. Hanwha Life Insurance Indonesia	166,506	16,196	150,310	19,166	1,949	14,103
Hanwha General Insurance Co., Ltd. [1]	18,578,568	16,873,112	1,705,456	8,022,671	(60,967)	247,020
Carrot General Insurance Co., Ltd.	92,779	2,236	90,543	725	(9,089)	(9,457)
Hanwha Asset Management (USA) Ltd.	12,806	3,140	9,666	5,865	(457)	405
Hanwha Asset Management Pte., Ltd.	5,761	962	4,799	1,127	(1,683)	(1,387)
Hanwha Investment Management Pte., Ltd.	11,519	16	11,503	3	2	209
Beneficiary certificates						
Mirae Asset Global Renewable Energy Private special Asset Investment Trust 2	241,748	295	241,453	20,884	(2,633)	(2,633)

(in millions of Korean won)	2019					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehen-sive income**
Mirae Asset MAPS Global Renewable Energy Private special Asset Investment Trust 1	240,663	450	240,213	35,519	13,449	13,449
Simone Global Venture Special Asset Investment Trust 1	131,730	46	131,684	7,706	1,767	1,767
Shinhan BNPP Global Solar Energy Special Asset Investment Trust (Solar Energy Project)	35,216	83	35,133	3,511	2,894	2,894
Shinhan BNPP Seoul-Munsan Expressway Special Asset Investment Trust	71,434	18	71,416	5,792	5,721	5,721
IGIS KORIF Private Placement Fund 17-1	1,057	19	1,038	214	114	114
IGIS KORIF Private Placement Fund 17-2	1,051	19	1,032	254	154	154
IGIS KORIF Private Placement Fund 17-3	1,015	19	996	214	114	114
IGIS KORIF Private Placement Fund 17-4	1,053	19	1,034	249	140	140
Pine Tree Sol III Specialized Private Placement Investment Trust No.3	14,026	1,064	12,962	832	618	618
Pine Tree Sol III Specialized Private Placement Investment Trust No.5	5,207	-	5,207	2,011	(3,916)	(3,916)
Pine Tree Sol III Specialized Private Placement Investment Trust No.6-2	68,571	13	68,558	4,198	1,737	1,737
Hana HW Landchip Private Real Estate Feeder Investment Trust No. 1	96,435	5	96,430	20,873	20,259	20,259
Hanwha Prudential US Real Estate Debt Private Real Estate Fund 1	155	-	155	1,137	(3,442)	(3,442)
Hanwha AI Global Choice Private Placement 1	290,110	2,427	287,683	43,857	28,443	28,443
Hanwha AI Global Choice Private Fund 2 (FOF)	119,989	1,931	118,058	20,512	(3,923)	(3,923)
Hanwha CONSUMER CREDIT Private Special Asset Investment Trust Security 1	58,602	193	58,409	11,434	1,294	1,294
Hanwha DEBT STRATEGY Private Special Asset Investment Trust Security 6	351,127	5,889	345,238	28,498	5,139	5,139
Hanwha LTI Private Special Asset Investment Trust Security II (infra)	61,105	2	61,103	2,260	2,003	2,003
Hanwha LTI Infra Private Special Asset Investment Trust Security I	367,799	213	367,586	14,027	12,649	12,649
Hanwha Tri-circle Infra Special Asset I	159,604	30	159,574	5,764	5,272	5,272

(in millions of Korean won)	2019					
	Total assets	Total liabilities	Total equity	Operating revenue	Profit (loss) for the year	Comprehensive income
Hanwha Tri-circle Infra Special Asset III	47,578	21	47,557	2,656	2,532	2,532
Samsung VLCC special Asset Investment Trust 1	109,129	639	108,490	13,458	2,188	2,188
Mirae Asset UK Gas Infrastructure Qualified Investors Private Special Asset Investment Trust 1	453,723	5,900	447,823	39,491	16,592	16,592
Hanwha Asia Opportunity Private Fund I	52,991	1,080	51,911	1,103	(1,376)	(1,376)
Hanwha Vietnam Legend Feeder Fund C-F	11,911	8	11,903	1,293	1,171	1,171
Hanwha Global Infrastructure Strategy Fund I	401,084	4,815	396,269	42,211	18,776	18,776
Hanwha Global Corporate PE Strategy Private Fund I	128,438	1,291	127,147	6,353	413	413
Hanwha Global Real Estate Strategy Private Fund I	276,365	2,091	274,274	36,839	14,228	14,228
Kyobo-AXA Bongdam-Songsan Expressway Qualified Investors Private Special Asset Investment Trust I	102,842	1,127	101,715	1,657	1,595	1,595
Hanwha Asean Legend Feeder Fund C-F	30,299	43	30,256	3,549	3,246	3,246
Hanwha Global Real Asset Balanced Asset Feeder Investment Trust – Balanced FoF Class C-F	54,540	4	54,536	6,421	6,022	6,022
Hanwha Total Portfolio Solution Fund	238,375	56	238,319	33,045	19,871	19,871
Hanwha Lifestyle Private Fund I	55,524	361	55,163	4,875	3,563	3,563
Hanwha Global Corporate PE Strategy Private Fund 2	173,002	1,308	171,694	8,186	1,393	1,393
Hanwha Global Real Estate Strategy Private Real Estate Fund 2	331,822	7,582	324,240	105,283	10,558	10,558
Hanwha Global Infrastructure Strategy Private Fund 2	420,556	9,352	411,204	66,044	41,470	41,470
Hanwha LIFEPLUSTDF2020 Feeder Fund C-F	5,828	1	5,827	759	741	741
Hanwha LIFEPLUSTDF2025 Feeder Fund C-F	5,841	1	5,840	886	868	868
Hanwha LIFEPLUSTDF2030 Feeder Fund C-F	5,886	1	5,885	971	950	950
Hanwha LIFEPLUSTDF2035 Feeder Fund C-F	5,927	1	5,926	1,060	1,036	1,036
Hanwha LIFEPLUSTDF2040 Feeder Fund C-F	5,963	1	5,962	1,123	1,099	1,099
Hanwha LIFEPLUSTDF2045 Feeder Fund C-F	5,983	1	5,982	1,150	1,126	1,126
	489,959	1,261	488,698	27,386	20,092	20,092

(in millions of Korean won)	2019					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehen-sive income**
Hanwha Vietnam Opportunity Private Fund 1						
Hanwha Corporation Exclusive Global Securities Feeder Investment Trust – Bond Class C	158,362	79	158,283	14,022	13,521	13,521
Hanwha Green Love Infra Private 1 (SOC)	25,206	128	25,078	863	589	589
Hanwha photovoltaic power generation private 1	3,588	2	3,586	313	297	297
Hanwha Green Love Private 2 (Infra)	8,621	1	8,620	404	280	280
Hanwha GwangJu Belt-Highway Private 1 (Infra)	45,975	1	45,974	4,168	3,979	3,979
Hanwha Photovoltaic power generation Private 2	62,168	15	62,153	3,674	3,370	3,370
Hanwha Korea Legend 4th Industrial Revolution Fund(Equity) C-F	5,545	2	5,543	815	769	769
Hanwha Global Credit Strategy Private Fund 1 (FoF)	348,706	1,028	347,678	19,900	14,629	14,629
Gangso Renewable Energy Innovation Fund	83,353	1,918	81,435	760	(822)	(822)
Hanwha Global Business Fund [2]	-	-	-	3	(99)	(99)
Hanwha Asia Legend 4th Industrial Revolution Fund - Feeder Fund (Equity) C-F	2,327	3	2,324	464	405	405
Hanwha SRI Fund(Equity) - Feeder Fund (Equity) C-F	6,435	2	6,433	477	407	407
Hanwha Global Infrastructure Strategy Private Fund 3	327,076	9,110	317,966	98,853	1,070	1,070
Hanwha the third gyeongin highway Private Fund I [3]	389,563	128	389,435	17,406	16,225	16,225
HYUNDAI INVEST GLOBAL INFRA DEBT SPECIAL ASSET HEDGE FUND NO. 15 (LOAN)	64,054	109	63,945	2,163	(123)	(123)
Hanwha Debt Strategy Private Real Estate Fund 16	34,255	22	34,233	1,247	(128)	(128)
Hanwha ARIRANG US Short-Term Credit Bond ETF[3]	22,054	25	22,029	-	-	-
Hanwha ARIRANG US Long-Term Credit Bond ETF[3]	22,771	22	22,749	-	-	-
Hanwha Asia REITs Fund – Feeder Fund (REITs-FoFs) C-F [3]	15,662	20	15,642	-	-	-

[1] Fair value measurements from business combination are not included in the financial information.

[2] Hanwha Global Business Fund was excluded from the scope of consolidation and reclassified as an associate.

[3] The entities are included in the scope of consolidation in 2019 and profit or loss after consolidation is only presented.

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2020 and 2019, is as follows:

(in millions of Korean won)	2020					
	Non-controlling interest rate (%)	**Beginning Balance**	**Profit (loss) allocated to non-controlling interests**	**Dividends paid to non-controlling interests**	**Adjustment**	**Accumulated non-controlling interests at the end of the year**
Hanwha General Insurance Co., Ltd.	48.6	₩ 1,261,418	₩ 18,195	₩ (11,433)	₩ (17,857)	₩ 1,250,322
Others	0.4~44.9	45,998	(12,062)	-	(6,565)	27,372
		₩ 1,307,416	₩ 6,133	₩ (11,433)	₩ (24,422)	₩ 1,277,694

(in millions of Korean won)	2019					
	Non-controlling interest rate (%)	**Beginning Balance**	**Profit (loss) allocated to non-controlling interests**	**Dividends paid to non-controlling interests**	**Adjustment**	**Accumulated non-controlling interests at the end of the year**
Hanwha General Insurance Co., Ltd.	48.6	₩ 1,118,739	₩ (39,117)	₩ (20,588)	₩ 202,383	₩ 1,261,418
Others	0.4~31.7	4,019	(2,637)	-	44,616	45,998
		₩ 1,122,758	₩ (41,754)	₩ (20,588)	₩ 246,999	₩ 1,307,416

Set out below is summarized consolidated statements of cash flows for a subsidiary that has non-controlling interests that are material to the Group for the years ended December 31, 2020 and 2019:

<Hanwha General Insurance Co., Ltd.>

(in millions of Korean won)	**2020**	**2019**
Cash flows from operating activities	₩ 1,520,153	₩ 1,871,071
Cash flows from investing activities	(1,548,080)	(1,621,234)
Cash flows from financing activities	(43,902)	(130,665)
Net increase (decrease) in cash and cash equivalents	(71,829)	119,172
Cash and cash equivalents at beginning of the year	235,767	116,919
Effects of exchange rate changes on cash and cash equivalents	(2,032)	(324)
Cash and cash equivalents at end of the year	₩ 161,906	₩ 235,767

9. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)

Name of company	Main operating activity	Location	Ownership (%)	2020 Acquisition cost	2020 Book amount	2019 Acquisition cost	2019 Book amount
Sino Korea Life Insurance Co.,Ltd(China)	Life insurance	China	50.0	₩ 129,274	₩ 58,059	₩ 129,274	₩ 58,474
NHN Payco Corporation [1]	Other financial supporting service	Korea	9.1	64,500	60,279	50,000	48,505
A&D Credit Information Co., Ltd. [1]	Credit investigation	Korea	19.5	1,184	3,318	1,184	3,459
New Airport Highway Co., Ltd. [1]	Management of highway	Korea	3.5	4,335	10,808	4,335	13,432
Gwangju Belt-Highway Inc. [1]	Management of highway	Korea	15.0	7,291	5,038	7,291	3,959
Ulsan Chongchun Co., Ltd. [1]	Maintenance of sewage pipes	Korea	15.0	1,714	1,310	1,714	1,345
Jeonla Railroad Co., Ltd. [1]	Railway Construction and operation	Korea	11.9	12,553	9,930	12,553	10,614
Green Asan Enviro Co., Ltd. [1]	Maintenance of sewage pipes	Korea	15.0	1,407	1,108	1,407	1,126
Green Kimhae Enviro Co., Ltd. [1]	Maintenance of sewage pipes	Korea	14.0	1,411	1,051	1,411	1,075
Chungjung Sangju Co., Ltd. [1]	Maintenance of sewage pipes	Korea	15.0	1,323	960	1,323	986
Green Gunsan Gikimi Co., Ltd. [1]	Maintenance of sewage pipes	Korea	15.0	1,287	1,253	1,287	1,256
Jinju Chongchun Co., Ltd. [1]	Maintenance of sewage pipes	Korea	14.2	1,209	979	1,209	994
Pangyo SD2 Co., Ltd. [1]	Real estate development and lease	Korea	19.2	24,275	25,697	24,275	25,407
Green Jeju Enviro Corporation[1]	Maintenance of sewage pipes	Korea	13.0	661	443	661	469
Green Dangjin Enviro Co., Ltd. [1]	Maintenance of sewage pipes	Korea	15.0	736	535	736	547
Green Yeosu Enviro Co., Ltd. [1]	Maintenance of sewage pipes	Korea	14.0	658	289	658	318
Namyang Kwangjin C&G Co., Ltd. [1]	Maintenance of sewage pipes	Korea	15.0	520	372	520	384
Nowon School Management Co., Ltd. [1]	School facility construction and management	Korea	14.6	689	696	689	695
Kineungdae BTL Co., Ltd. [1]	School facility construction and management	Korea	14.8	459	511	459	483

(in millions of Korean won)

Name of company	Main operating activity	Location	Ownership (%)	2020 Acquisition cost	2020 Book amount	2019 Acquisition cost	2019 Book amount
Jeju Enviro Corporation[1]	Maintenance of sewage pipes	Korea	7.8	857	394	857	459
Chungjung Seogwipo Co., Ltd. [1]	Maintenance of sewage pipes	Korea	11.4	1,102	1,272	1,102	1,291
2018 Hanwha IoT New Technology Venture Fund [2]	Venture capital investment association	Korea	63.3	10,640	9,681	7,790	7,219
Hanwha Global Business Fund [2]	Venture capital investment association	Korea	60.0	3,060	4,043	5,580	6,488
KDB ASIA Private Equity Fund	Management of foreign-invested enterprises	Korea	20.0	10,518	9,578	6,061	5,807
Kofc Posco Hanwha KB Shared Growth No.2 Private Equity Fund [4]	Investment for future growth engines	Korea	22.5	7,271	7,052	10,178	9,439
ChungNam-Hanwha Small & Medium Company Growth Fund	Venture capital investment association	Korea	50.0	7,457	7,777	7,457	6,779
Seoul Global Bio Medical	Investment for future growth engines	Korea	23.3	10,915	11,708	11,545	10,725
Kofc Value up Private Equity Fund [3,4,5]	Asset management	Korea	3.9	2,500	-	2,500	-
2018 Hanwha New Industry Global Plus-up Fund	Investment for future growth engines	Korea	40.0	8,400	7,593	4,000	3,585
Hanwha Japan Equity and REITs Equity Balanced-Fund of Funds C-F	Collective investment schemes	Korea	-	-	-	1,013	1,118
Golden Gate Ventures x Hanwha Growth Fund GP, LLC	Collective investment schemes	UK	49.0	101	40	30	29
AI Alliance LLC	Collective investment schemes	USA	33.3	7,803	6,965	4,519	4,359
Hanwha Multi Asset Cruise 5.0 Fund - Feeder Fund (Balanced Bond-FoFs) C-i1	Collective investment schemes (security)	Korea	20.3	1,427	1,596	-	-
Hanwha Japan Core Securities Fund 1 (Equity) C-F	Collective investment schemes (security)	Korea	31.9	1,059	1,044	-	-
Hanwha Global Untact Securities Feeder Fund (UH) (Equity) C-F	Collective investment schemes (security)	Korea	33.2	1,000	1,210	-	-
Hanwha K-REITs Plus Feeder Fund (H) (REITs-FoFs) C-F	Collective investment schemes (security)	Korea	35.5	1,000	1,018	-	-

(in millions of Korean won)

				2020		2019	
Name of company	Main operating activity	Location	Ownership (%)	Acquisition cost	Book amount	Acquisition cost	Book amount
Doomoolmori[1]	Financial service	Korea	10.8	3,500	3,481	-	-
				₩ 334,096	₩ 257,088	₩ 303,618	₩ 230,828

[1] The Group is considered to be able to exercise significant influence on investee companies, as allowed to participate in decision-making process for financial and business policies at the Board of Director's meeting, and therefore, those investments are classified as investments in associates.

[2] Since the Group does not have ability to direct relevant activities, it is considered the Group does not have control over 2018 Hanwha IoT New Technology Venture Fund and Hanwha Global Business Fund. Therefore, the Group classified such investments as investments in associates.

[3] The Group's subsidiary, Hanwha Asset Management Co., Ltd. has significant influence over Kofc Value up Private Equity Fund as a general partner with unlimited liability. Therefore, the Group classified such beneficiary certificates as investments in associates.

[4] In accordance with the agreement of reserves for the preferential loss regarding distribution of private equity fund property, the Group as general partner will be distributed with contribution after preferentially reserving the provision of loss for up to agreed limit.

[5] In accordance with the Group's business transfer contract, if reserves for the preferential loss described in articles of PEF occur upon the distribution of residual property of Kofc Value up Private Equity Fund, the Group will receive the reserve for the preferential loss within the limit of retention (₩ 2.5 billion) set at the transaction from Hanwha Investment Corp., a related party of the Group and business transferor.

Changes in investments in associates and joint ventures for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020				
		Increase (decrease)			
	Beginning balance	Acquisition/ transfer	Share of profit (loss) of associates and joint ventures	Others	Ending balance
Sino Korea Life Insurance Co., Ltd.(China)	₩ 58,474	₩ -	₩ 698	₩ (1,113)	₩ 58,059
NHN Payco Corporation	48,505	14,500	(2,686)	(40)	60,279
A&D Credit Information Co., Ltd.	3,459	-	(44)	(98)	3,318
New Airport Highway Co., Ltd.	13,432	-	1,926	(4,551)	10,808
Jeonla Railroad Co., Ltd.	10,614	-	(685)	-	9,930
Pangyo SD2 Co., Ltd.	25,407	-	2,122	(1,832)	25,697
Kofc Posco Hanwha KB Shared Growth No.2 Private Equity Fund	9,439	-	557	(2,944)	7,052
2018 Hanwha New Industry Global Plus-up Fund	3,585	4,400	(392)	-	7,593
ChungNam-Hanwha Small & Medium Company Growth Fund	6,779	-	998	-	7,777
Seoul Global Biomedical future growth engines fund	10,725	-	1,655	(671)	11,708
AI Alliance LLCE	4,359	3,284	(144)	(535)	6,965
2018 Hanwha IoT New Technology Venture Fund	7,219	2,850	(388)	-	9,681
Others	28,830	12,513	1,077	(4,200)	38,220
	₩ 230,828	₩ 37,548	₩ 4,694	₩ (15,983)	₩ 257,086

(in millions of Korean won)	2019				
		Increase (decrease)			
	Beginning balance	Acquisition/ transfer	Share of profit (loss) of associates and joint ventures	Others	Ending balance
Sino Korea Life Insurance Co., Ltd.(China)	₩ 27,897	₩ 43,035	₩ (12,292)	₩ (166)	₩ 58,474
NHN Payco Corporation	-	50,000	(1,256)	(239)	48,505
A&D Credit Information Co., Ltd.	2,739	-	720	-	3,459
New Airport Highway Co., Ltd.	15,837	-	2,671	(5,075)	13,432
Jeonla Railroad Co., Ltd.	13,417	-	(2,748)	(55)	10,614
Pangyo SD2 Co., Ltd.	25,484	-	1,945	(2,023)	25,407
Kofc-Kyobo-Hanwha Growth Champ 2010-6 Private Equity Fund	440	-	614	(1,054)	-
Kofc Posco Hanwha KB Shared Growth No.2 Private Equity Fund	8,786	-	660	(7)	9,439
2018 Hanwha New Industry Global Plus-up Fund	3,993	-	(408)	-	3,585
ChungNam-Hanwha Small & Medium Company Growth Fund	5,754	1,200	(174)	-	6,779
Seoul Global Biomedical future growth engines fund	12,593	-	1,465	(3,333)	10,725
2011 KIF-Hanwha IT Venture Fund	3,426	-	1,909	(5,335)	-
AI Alliance LLCE	2,086	2,315	(118)	77	4,359
2018 Hanwha IoT New Technology Venture Fund	4,561	3,040	(382)	-	7,219
Others	29,208	(3,186)	6,485	(3,677)	28,830
	₩ 156,220	₩ 96,403	₩ (909)	₩ (20,887)	₩ 230,828

Summarized financial information of investments in associates and joint ventures as at December 31, 2020 and 2019, and for the years then ended, are as follows:

(in millions of Korean won)	2020					
	Assets	**Liabilities**	**Equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehensive income for the year**
Sino Korea Life Insurance Co., Ltd(China)	₩ 568,178	₩ 452,061	₩ 116,117	₩ 214,602	₩ 1,395	₩ (831)
NHN Payco Corporation	291,812	54,716	237,096	27,698	(34,027)	(34,730)
New Airport Highway Co., Ltd. and other 19 entities	2,105,863	1,451,314	654,549	343,035	64,018	64,018
2018 Hanwha IoT New Technology Venture Fund and another entity	21,225	150	21,075	843	(487)	(487)
ChungNam-Hanwha Small & Medium Company Growth Fund and other 11 entities	214,502	8,206	206,296	24,687	11,687	11,262

(in millions of Korean won)	2019					
	Assets	**Liabilities**	**Equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehensive income for the year**
Sino Korea Life Insurance Co., Ltd(China)	₩ 428,953	₩ 312,005	₩ 116,948	₩ 139,829	₩ (24,584)	₩ (24,915)
NHN Payco Corporation	330,623	59,165	271,458	27,957	(18,459)	(21,765)
New Airport Highway Co., Ltd. and other 18 entities	2,274,791	1,549,900	724,890	401,076	72,581	72,581
2018 Hanwha IoT New Technology Venture Fund and another entity	21,509	247	21,262	1,918	1,025	1,025
ChungNam-Hanwha Small & Medium Company Growth Fund and other 8 entities	215,020	3,035	211,985	24,057	2,656	(3,459)

The tables below provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the joint venture or associate.

(in millions of Korean won)	2020				
	Net assets at the end of the year (a)	**Group's share in % (b)**	**Group's share in KRW(a*b)**	**Differences and others**	**Book amount**
Sino Korea Life Insurance Co., Ltd.(China)	₩ 116,117	50.00	₩ 58,059	₩ -	₩ 58,059
NHN Payco Corporation	237,096	9.10	21,475	38,804	60,279
A&D Credit Information Co., Ltd.	17,015	19.50	3,318	-	3,318
New Airport Highway Co., Ltd.	308,794	3.50	10,808	-	10,808
Gwangju Belt-Highway Inc.	33,587	15.00	5,038	-	5,038
Jeonla Railroad Co., Ltd.	83,135	11.90	9,930	-	9,930
Pangyo SD2 Co., Ltd.	126,210	19.20	24,274	1,422	25,697
Kofc Posco Hanwha KB Shared Growth No.2 Private Equity Fund	38,330	22.50	8,624	(1,572)	7,052
2018 Hanwha New Industry Global Plus-up Fund	18,983	40.00	7,593	-	7,593
ChungNam-Hanwha Small & Medium Company Growth Fund	15,555	50.00	7,777	-	7,777
Seoul Global Biomedical future growth engines fund	48,419	23.30	11,298	410	11,708
2018 Hanwha IoT New Technology Venture Fund	15,286	63.30	9,681	-	9,681
Doomoolmori	4,610	10.90	501	2,980	3,481

(in millions of Korean won)	2019								
		Net assets at the end of the year (a)	**Group's share in % (b)**		**Group's share in KRW(a*b)**		**Differences and others**		**Book amount**
Sino Korea Life Insurance Co., Ltd.(China)	₩	116,948	50.00	₩	58,474	₩	-	₩	58,474
NHN Payco Corporation		271,458	6.80		18,467		30,038		48,505
A&D Credit Information Co., Ltd.		17,738	19.50		3,459		-		3,459
New Airport Highway Co., Ltd.		383,782	3.50		13,432		-		13,432
Gwangju Belt-Highway Inc.		26,394	15.00		3,959		-		3,959
Jeonla Railroad Co., Ltd.		88,870	11.94		10,614		-		10,614
Pangyo SD2 Co., Ltd.		124,702	19.23		23,984		1,422		25,407
Kofc Posco Hanwha KB Shared Growth No.2 Private Equity Fund		48,938	22.50		11,011		(1,572)		9,439
2018 Hanwha New Industry Global Plus-up Fund		8,963	40.00		3,585		-		3,585
ChungNam-Hanwha Small & Medium Company Growth Fund		13,559	50.00		6,779		-		6,779
Seoul Global Biomedical future growth engines fund		44,204	23.33		10,314		410		10,725
2018 Hanwha IoT New Technology Venture Fund		11,398	63.33		7,219		-		7,219

10. Loans

Loans as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		**2020**		**2019**
Policy loans	₩	7,786,369	₩	7,767,640
Loans secured by real estate		9,687,003		8,413,981
Unsecured loans		8,599,813		9,151,940
Loans secured by third-party guarantee		670,672		637,835
Other loans		2,955,617		2,876,280
		29,699,474		28,847,676
Deferred loan origination fees and costs		48,696		54,588
Unwinding of the discount		(1,178)		(1,570)
Provision for impairment		(150,725)		(87,898)
	₩	29,596,267	₩	28,812,796

Details of provision for impairment of loans as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		**2020**		**2019**
Policy loans	₩	258	₩	245
Loans secured by real estate		68,631		3,439
Unsecured loans		69,627		72,240
Other loans		12,209		11,974
	₩	150,725	₩	87,898

Movements in the provision for impairment of loans for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		**2020**		**2019**
Beginning balance	₩	87,898	₩	91,495
Provision for impaired receivables during the year		106,190		109,312
Receivables written off during the year		(50,738)		(56,839)
Others [1]		7,375		(56,070)
Ending balance	₩	150,725	₩	87,898

[1] Effect of unwinding, reversal of provision for impairment and others.

Details of loans that are impaired and past due as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		**2020**		**2019**
Receivables not past due	₩	29,372,129	₩	28,437,644
Past due but not impaired		214,369		287,608
Impaired		112,976		122,424
Total [1]	₩	29,699,474	₩	28,847,676

[1] The amounts were classified as principal of loans.

Provision for impairment of impaired loans as at December 31, 2020 and 2019, is as follows:

(in millions of Korean won)	**2020**				
		Loans		**Provision for impairment**	**Rate of provision**
Loans secured by real estate	₩	70,682	₩	61,431	86.91%
Unsecured loans		32,294		31,832	98.57%
Other loans		10,000		10,000	100.00%
	₩	112,976	₩	103,263	91.40%

(in millions of Korean won)	**2019**				
		Loans		**Provision for impairment**	**Rate of provision**
Loans secured by real estate	₩	27,013	₩	1,381	5.11%
Unsecured loans		85,399		35,405	41.46%
Other loans		10,012		10,000	99.88%
	₩	122,424	₩	46,787	38.22%

The aging analysis of past due but not impaired loans as at December 31, 2020 and 2019, is as follows:

(in millions of Korean won)	**2020**									
		Less than 30 days		**Between 30 and 60 days**		**Between 60 and 90 days**		**Over 90 days**		**Total**
Past due but not impaired	₩	152,012	₩	23,235	₩	7,575	₩	31,546	₩	214,368

(in millions of Korean won)	**2019**									
		Less than 30 days		**Between 30 and 60 days**		**Between 60 and 90 days**		**Over 90 days**		**Total**
Past due but not impaired	₩	224,883	₩	22,869	₩	10,726	₩	29,130	₩	287,608

11. Derivative Instruments and Hedge Accounting

Details of derivative instruments as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020					
	Trading purpose		Hedging purpose		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Currency forwards [1]	₩ 183,940	₩ 99	₩ 176,050	₩ 3,352	₩ 359,990	₩ 3,451
Currency swaps [1]	62,800	2,798	617,051	120,353	679,851	123,151
Credit derivatives	10,688	-	-	-	10,688	-
Bond forwards [1]	-	-	-	58,078	-	58,078
	₩ 257,428	₩ 2,897	₩ 793,101	₩ 181,783	₩ 1,050,529	₩ 184,680

[1] The Group entered into currency forward, currency swap and bond forward contracts to hedge future fair value change risk and cash flow change risk arising from exchange rate of bonds and changes in interest rate, and risk exposure is expected until March 15, 2039.

(in millions of Korean won)	2019					
	Trading purpose		Hedging purpose		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Currency forwards [1]	₩ 15,658	₩ 26,181	₩ 50,332	₩ 113,746	₩ 65,990	₩ 139,927
Currency swaps [1]	20,808	15,356	196,654	452,043	217,462	467,399
Stock index options	-	237	-	-	-	237
Credit derivatives	14,535	-	-	-	14,535	-
	₩ 51,001	₩ 41,774	₩ 246,986	₩ 565,789	₩ 297,987	₩ 607,563

Details of the commitment amount and related gains and losses from derivative instruments for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020						
	Trading purpose			Hedging purpose			
	Unsettled contractual amount	Valuation gain (PL)	Valuation loss (PL)	Unsettled contractual amount	Valuation gain (PL)	Valuation loss (PL)	Balance of valuation gain (loss) (BS)
Currency forwards	₩ 3,766,964	₩ 178,097	₩ 12,476	₩ 4,364,343	₩ 257,149	₩ 5,839	₩ (68,134)
Currency swaps	1,042,744	67,220	7,299	14,855,387	763,961	160,364	(76,067)
Stock index futures	13,231	-	-	-	-	-	-
Credit derivatives	-	-	2,280	-	-	-	-
Interest rate swaps	759,000	-	-	-	-	-	-
Bond forwards	-	-	-	1,047,708	-	14	(43,803)
	₩ 5,581,939	₩ 245,317	₩ 22,055	₩ 20,267,438	₩ 1,021,110	₩ 166,217	₩ (188,004)

(in millions of Korean won)	2019						
	Trading purpose			Hedging purpose			
	Unsettled contractual amount	Valuation gain (PL)	Valuation loss (PL)	Unsettled contractual amount	Valuation gain (PL)	Valuation loss (PL)	Balance of valuation gain (loss) (BS)
Currency forwards	₩ 3,151,692	₩ 18,580	₩ 35,595	₩ 6,283,306	₩ 163,011	₩ 123,506	₩ (80,822)
Currency swaps	162,785	21,940	26,139	20,962,502	476,411	704,018	(44,933)
Stock index options	-	198	-	-	-	-	-
Stock index futures	9,520	-	-	-	-	-	-
Credit derivatives	-	4,249	386	-	-	-	-
Interest rate swaps	367,000	-	-	-	-	-	-
	₩ 3,690,997	₩ 44,967	₩ 62,120	₩ 27,245,808	₩ 639,422	₩ 827,524	₩ (125,755)

Gains or losses on valuation of derivatives financial instruments for hedge accounting recognized in accumulated other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020			
	Beginning balance	Valuation	Profit or loss	Ending balance
Gains (losses) on valuation of derivatives financial instruments for hedge accounting [1]	₩ (169,768)	₩ 554,181	₩ (637,949)	₩ (253,536)
Effect of deferred tax	44,013			65,532
	₩ (125,755)			₩ (188,004)

(in millions of Korean won)	2019			
	Beginning balance	Valuation	Profit or loss	Ending balance
Gains (losses) on valuation of derivatives financial instruments for hedge accounting [1]	₩ 38,650	₩ (388,307)	₩ 179,889	₩ (169,768)
Effect of deferred tax	(9,900)	54,453	(540)	44,013
	₩ 28,750			₩ (125,755)

[1] The amount expected to be transferred from derivative valuation gain or loss recognized in accumulated other comprehensive income as a profit or loss within 12 months from January 1, 2021 due to its maturity is ₩ (-)73,534 million (after deferred tax recognized in equity).

For the year ended December 31, 2020, the ineffective portion of derivative financial instruments for cash flow hedge recognized in profit or loss is ₩ 2,529 million (2019: ₩ 2,646 million).

Securities provided as collateral in relation to the derivatives as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)

Presentee	Bond type	2020	2019
Industrial Bank of Korea and others	Government and public bonds and others	₩ 231,436	₩ 1,220,657

Offsetting of financial asset and financial liabilities

The Group is subject to enforceable master netting arrangements or similar agreements including liquidation agreements of derivative financial instruments, repurchase agreements in international standards and loan agreements of securities in international standard, related with derivative financial instruments, purchase or sale under repurchase agreements and loan transactions of securities.

The following table presents the recognized financial assets that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at December 31, 2020 and 2019.

(in millions of Korean won)	2020					
			Net amounts presented in the statements of financial position	Amounts not offset		
	Gross assets	Gross liabilities set off		Financial instruments	Cash collateral	Net amount
Derivative assets	₩ 1,039,842	₩ -	₩ 1,039,842	₩ 416,927	₩ -	₩ 622,915

(in millions of Korean won)	2019					
			Net amounts presented in the statements of financial position	Amounts not offset		
	Gross assets	Gross liabilities set off		Financial instruments	Cash collateral	Net amount
Derivative assets	₩ 283,452	₩ -	₩ 283,452	₩ 238,246	₩ -	₩ 45,206

The following table presents the recognized financial liabilities that are subject to enforceable master netting arrangements and other similar agreements as at December 31, 2020 and 2019.

(in millions of Korean won)	2020					
			Net amounts presented in the statements of financial position	Amounts not offset		
	Gross liabilities	Gross assets set off		Financial instruments	Cash collateral	Net amount
Derivative liabilities	₩ 184,680	₩ -	₩ 184,680	₩ 171,535	₩ -	₩ 13,145

(in millions of Korean won)	2019					
			Net amounts presented in the statements of financial position	Amounts not offset		
	Gross liabilities	Gross assets set off		Financial instruments	Cash collateral	Net amount
Derivative liabilities	₩ 607,326	₩ -	₩ 607,326	₩ 565,547	₩ -	₩ 41,779

12. Insured Assets

As at December 31, 2020, the Group's building is insured by Hanwha General Insurance Co., Ltd and others with the coverage of ₩ 1,662,370 million (2019: ₩ 1,661,839 million). The Group's movable assets including electronic devices are insured by Hanwha General Insurance Co., Ltd and others with the coverage of ₩ 33,082 million (2019: ₩ 38,874 million). The Group carries comprehensive insurance and liability insurance for its vehicles.

13. Property and Equipment, Investment Property, Intangible Assets and Right-of-use Assets

Details of property and equipment, investment properties, intangible assets and right-of-use assets as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020			
	Acquisition cost	Accumulated depreciation	Accumulated Impairment loss	Book amount
Property and equipment				
Land	₩ 935,600	₩ -	₩ (20,057)	₩ 915,543
Buildings	1,350,019	(458,160)	(18,382)	873,477
Structures	96	(74)	-	21
Vehicles	813	(742)	-	71
Equipment	395,285	(311,163)	-	84,122
Others	18,842	(1,359)	(9,331)	8,152
Construction in progress	20,315	-	-	20,315
	2,720,969	(771,498)	(47,770)	1,901,702
Investment property				
Land	1,628,208	-	(19,912)	1,608,295
Buildings	1,360,777	(409,177)	(9,468)	942,132
Structures	493	(246)	(54)	193
	2,989,478	(409,423)	(29,435)	2,550,620
Intangible assets				
Software	170,898	(128,991)	-	41,907
Research and development (R&D) cost	400,060	(259,709)	-	140,351
Others	1,438,434	(474,842)	(11,876)	951,716
Goodwill	15,166	-	(15,166)	-
	2,024,557	(863,542)	(27,042)	1,133,974
Right-of-use assets				
Leased properties	148,789	(73,856)	-	74,934
Vehicles	2,871	(1,517)	-	1,354
Equipment	2,667	(1,640)	-	1,027
Others	4,277	(641)	-	3,635
	158,604	(77,654)	-	80,950
	₩ 7,893,609	₩ (2,122,117)	₩ (104,246)	₩ 5,667,246

(in millions of Korean won)	2019							
		Acquisition cost		**Accumulated depreciation**		**Accumulated Impairment loss**		**Book amount**
Property and equipment								
Land	₩	960,800	₩	-	₩	(26,303)	₩	934,497
Buildings		1,200,098		(407,001)		(16,077)		777,020
Structures		643		(316)		(54)		273
Vehicles		943		(840)		-		103
Equipment		335,890		(270,378)		-		65,512
Others		19,116		(1,330)		(9,331)		8,455
Construction in progress		69,186		-		-		69,186
		2,586,676		(679,865)		(51,765)		1,855,046
Investment property								
Land		1,525,313		-		(13,666)		1,511,647
Buildings		1,460,408		(406,745)		(11,773)		1,041,890
		2,985,721		(406,745)		(25,439)		2,553,537
Intangible assets								
Software		143,753		(119,056)		-		24,697
Research and development (R&D) cost		328,148		(233,701)		-		94,447
Others		1,440,997		(385,713)		(11,876)		1,043,408
Goodwill		15,166		-		(15,166)		-
		1,928,064		(738,470)		(27,042)		1,162,552
Right-of-use assets								
Leased properties		168,129		(92,805)		-		75,324
Vehicles		2,714		(1,098)		-		1,616
Equipment		2,656		(817)		-		1,839
		173,499		(94,720)		-		78,779
	₩	7,673,960	₩	(1,919,800)	₩	(104,246)	₩	5,649,914

Changes in property and equipment, investment properties, intangible assets and right-of-use assets for the years ended December 31, 2020 and 2019, are summarized as follows:

(in millions of Korean won)	2020								
	Beginning balance	**Acquisition and others**	**Disposal/ cancellation**	**Transfer**	**Depreciation**	**Impairment**	**Changes in scope of consolidation**	**Exchange difference and others**	**Ending balance**
Property and equipment									
Land	₩ 934,497	₩ -	₩ (20,778)	₩ 1,823	₩ -	₩ -	₩ -	₩ -	₩ 915,542
Buildings	777,020	2,658	(17,825)	142,838	(31,240)	-	-	27	873,478
Structures	273	203	(247)	(199)	(9)	-	-	-	21
Vehicles	103	-	(14)	-	(15)	-	-	(2)	72
Equipment	65,512	41,467	(1,235)	1,368	(35,055)	(26)	-	12,091	84,122
Others	8,455	424	(414)	-	(278)	-	-	(34)	8,153
Construction in progress	69,186	24,945	-	(73,808)	-	-	-	(9)	20,314
	1,855,046	69,697	(40,513)	72,022	(66,597)	(26)	-	12,073	1,901,702
Investment property									
Land	1,511,647	242	(5,167)	(1,263)	-	-	104,188	(1,351)	1,608,296
Buildings	1,041,891	2,080	(4,737)	(69,669)	(40,320)	-	17,812	(4,926)	942,131
Structures	-	-	-	199	(5)	-	-	-	194
	2,553,538	2,322	(9,904)	(70,733)	(40,325)	-	122,000	(6,277)	2,550,621
Intangible assets									
Software	24,697	22,345	(70)	6,566	(11,610)	-	-	(20)	41,908
Research and development (R&D) cost	94,447	59,579	-	12,333	(26,009)	-	-	-	140,350
Others	1,043,408	12,263	(9,039)	(6,566)	(88,259)	(41)	-	(51)	951,715
Goodwill	-	-	-	-	-	-	-	-	-
	1,162,552	94,187	(9,109)	12,333	(125,878)	(41)	-	(71)	1,133,972
Right-of-use assets									
Leased properties	75,324	93,008	(25,991)	(58)	(54,909)	-	-	(12,440)	74,934
Vehicles	1,616	825	(131)	-	(956)	-	-	-	1,354
Equipment	1,839	11	-	-	(823)	-	-	-	1,027
Others	-	6,290	(2,013)	-	(641)	-	-	-	3,636
	78,779	100,134	(28,135)	(58)	(57,329)	-	-	(12,440)	80,951
	₩ 5,649,915	₩ 266,340	₩ (87,661)	₩ 13,564	₩ (290,129)	₩ (67)	₩ 122,000	₩ (6,715)	₩ 5,667,245

(in millions of Korean won)	2019								
	Beginning balance	**Acquisition**	**Disposal**	**Transfer**	**Depreciation**	**Impairment**	**Changes in scope of consolidation**	**Exchange difference and others**	**Ending balance**
Property and equipment									
Land	₩ 909,109	₩ -	₩ (7)	₩ 25,395	₩ -	₩ -	₩ -	₩ -	₩ 934,497
Buildings	792,761	23,212	(7,316)	(1,247)	(30,069)	-	-	(321)	777,020
Structures	275	20	-	-	(22)	-	-	-	273
Vehicles	132	-	(3)	-	(30)	-	-	4	103
Equipment	70,706	40,005	(190)	885	(27,871)	-	-	(18,023)	65,512
Others	7,766	850	(4)	4	(167)	-	-	6	8,455
Construction in progress	22,350	37,652	-	9,179	-	-	-	5	69,186
	1,803,099	101,739	(7,520)	34,216	(58,159)	-	-	(18,329)	1,855,046
Investment property									
Land	1,482,030	-	(64,494)	(25,395)	-	-	118,738	768	1,511,647
Buildings	1,034,971	-	(19,991)	33,949	(36,631)	-	26,712	2,880	1,041,890
	2,517,001	-	(84,485)	8,554	(36,631)	-	145,450	3,648	2,553,537
Intangible assets									
Software	24,392	8,508	-	963	(9,166)	-	-	-	24,697
Research and development (R&D) cost	59,324	36,724	-	16,928	(18,529)	-	-	-	94,447
Others	1,132,659	6,340	(98)	-	(95,638)	-	-	145	1,043,408
	1,216,375	51,572	(98)	17,891	(123,333)	-	-	145	1,162,552
Right-of-use assets									
Leased properties	-	43,837	(8,656)	651	(52,516)	-	-	92,008	75,324
Vehicles	-	1,232	(179)	-	(1,127)	-	-	1,690	1,616
Equipment	-	114	-	-	(818)	-	-	2,543	1,839
	-	45,183	(8,835)	651	(54,461)	-	-	96,241	78,779
	₩ 5,536,475	₩ 198,494	₩ (100,938)	₩ 61,312	₩ (272,584)	₩ -	₩ 145,450	₩ 81,705	₩ 5,649,914

Rental income and expenses related to investment properties for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	**2020**	**2019**
Rental income	₩ 165,755	₩ 154,893
Rental expenses	(90,243)	(82,974)

Details of fair value of investment properties as at December 31, 2020, are as follows:

(in millions of Korean won)	**Fair value (a)**	**Book amount (b)**	**Fair value ratio (a/b)**
Investment properties	₩ 2,778,570	₩ 2,550,620	108.93%

The fair value of investment properties has been determined based on the assessment by the appropriate qualifications and experience of external and independent appraiser. The fair value of investment property is classified as Level 3 on the fair value hierarchy. The fair value of investment property is measured using the comparison method, which calculates price by analyzing real estate subject to valuation and transactions with similar valuation factors. In estimation of the fair value, the Group takes into account the valuation factors such as approach conditions, environmental conditions, individual factors and others.

As at December 31, 2020, with regard to the Group's land and buildings with respect to the leasehold deposit, the mortgage and leasehold rights were set at ₩ 126,827 million (2019: ₩ 129,141 million) and ₩ 15,452 million (2019: ₩ 17,266 million), respectively.

14. Leases

(i) The consolidated statements of financial position shows the following amounts relating to leases:

(in millions of Korean won)		2020		2019
Right-of-use assets				
Properties	₩	74,934	₩	75,323
Vehicles		1,354		1,616
Equipment		1,027		1,838
Others		3,635		-
	₩	80,950	₩	78,777
Lease liabilities[1]				
Properties	₩	74,993	₩	60,614
Vehicles		1,364		1,636
Equipment		1,004		1,833
Others		3,673		-
	₩	81,034	₩	64,083

[1] Included in the line item 'other financial liabilities' in the consolidated statements of financial position.

Additions to the right-of-use assets during the 2020 financial year were ₩ 100,134 million.

As at December 31, 2020, the contractual maturities of the Group's lease liabilities were as follows:

(in millions of Korean won)	2020											
		3 months or less		1 year or less		3 years or less		5 years or less		Over 5 years		Total contractual cash flows
Lease liabilities	₩	12,022	₩	26,733	₩	36,200	₩	7,058	₩	399	₩	82,412

(ii) Amounts recognized in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income shows the following amounts relating to leases:

(in millions of Korean won)		**2020**		**2019**
Depreciation of right-of-use assets				
Properties	₩	54,909	₩	52,516
Vehicles		956		1,127
Equipment		823		818
Others		641		-
	₩	57,329	₩	54,461
Interest expense relating to lease liabilities (included in finance costs)	₩	1,580	₩	1,739
Expense relating to leases of low-value assets that are not short-term leases (included in business expenses)		520		483

The total cash outflow for leases in 2020 was ₩ 58,360 million (2019: ₩ 54,341 million).

15. Other Financial Assets

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

(in millions of Korean won)		**2020**		**2019**
Insurance receivables	₩	378,410	₩	651,899
Non-trade receivables		160,246		187,803
Accrued income		981,599		904,973
Deposits received for guarantees		111,481		122,932
Other receivables		4,549		5,816
Present value discount		(1,876)		(2,305)
Provision for impairment		(98,339)		(109,795)
	₩	1,536,070	₩	1,761,323

Movements in the provision for impairment of other financial assets for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Beginning balance	₩	109,795	₩	94,106
Provision for impaired receivables during the year		6,437		18,764
Receivables written off during the year		(19,040)		(4,286)
Others [1]		1,147		1,211
	₩	98,339	₩	109,795

[1] Effect of unwinding, reversal of provision for impairment and others.

16. Other Assets

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

(in millions of Korean won)		2020		2019
Reinsurance assets	₩	646,448	₩	681,459
Deferred policy acquisition costs		2,335,061		2,308,182
Prepaid expenses		12,344		11,353
Prepaid value added tax		100		737
Advance payments		5,189		17,555
Compensation receivables		26,898		29,015
Others		253		480
	₩	3,026,293	₩	3,048,781

Changes in reinsurance assets for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Beginning balance	₩	681,459	₩	637,918
Increase (decrease)		(35,011)		43,541
Ending balance	₩	646,448	₩	681,459

Changes in deferred policy acquisition costs for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020					
	Individual insurance					
	Annuity	Whole life, Term life	Endowment	Group insurance	Subsidiaries	Total
Beginning balance	₩ 146,595	₩ 1,456,545	₩ 22,281	₩ 1,581	₩ 681,181	₩ 2,308,183
Deferral	34,836	791,442	8,830	420	441,632	1,277,160
Amortization	(81,911)	(783,068)	(17,002)	(768)	(367,533)	(1,250,282)
Ending balance	₩ 99,520	₩ 1,464,919	₩ 14,109	₩ 1,233	₩ 755,280	₩ 2,335,061

(in millions of Korean won)	2019					
	Individual insurance					
	Annuity	Whole life, Term life	Endowment	Group insurance	Subsidiaries	Total
Beginning balance	₩ 213,179	₩ 1,439,884	₩ 38,772	₩ 2,014	₩ 534,224	₩ 2,228,073
Deferral	44,661	729,422	7,712	431	550,038	1,332,264
Amortization	(111,244)	(712,761)	(24,204)	(865)	(403,081)	(1,252,155)
Ending balance	₩ 146,596	₩ 1,456,545	₩ 22,280	₩ 1,580	₩ 681,181	₩ 2,308,182

Changes in compensation receivables for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020			
	General	Long-term	Automobile	Total
Beginning balance	₩ 3,430	₩ 8,643	₩ 16,942	₩ 29,015
Decrease	(943)	(1,080)	(94)	(2,117)
Ending balance	₩ 2,487	₩ 7,563	₩ 16,848	₩ 26,898

(in millions of Korean won)	2019			
	General	Long-term	Automobile	Total
Beginning balance	₩ 3,113	₩ 6,853	₩ 15,555	₩ 25,521
Increase	317	1,790	1,387	3,494
Ending balance	₩ 3,430	₩ 8,643	₩ 16,942	₩ 29,015

17. Insurance Contract Liabilities

Details of insurance contract liabilities as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020	2019
Premium reserve	₩ 97,144,588	₩ 93,148,148
Reserve for outstanding claims	3,780,677	3,449,725
Reserve for unearned premium	748,551	737,426
Reserve for minimum guaranteed benefit	1,787,461	1,513,457
Reserves for policyholders' dividends	317,011	314,160
Reserve for policyholders' profit dividends	83,798	69,981
Reserve for losses on dividend insurance	37,135	35,251
	₩ 103,899,221	₩ 99,268,148

Changes in insurance contract liabilities for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020						
	Individual insurance						
	Annuity	Whole life, Term life	Endowment	Group insurance	Reserve for policyholders' profit dividends and others	Subsidiaries	Total
Beginning balance	₩ 27,165,265	₩ 43,791,393	₩ 11,479,242	₩ 668,093	₩ 504,697	₩ 15,659,458	₩ 99,268,148
Increase	713,960	2,194,828	462,296	9,588	15,224	1,235,177	4,631,073
Ending balance	₩ 27,879,225	₩ 45,986,221	₩ 11,941,538	₩ 677,681	₩ 519,921	₩ 16,894,635	₩ 103,899,221

(in millions of Korean won)	2019						
	Individual insurance						
	Annuity	Whole life, Term life	Endowment	Group insurance	Reserve for policyholders' profit dividends and others	Subsidiaries	Total
Beginning balance	₩ 26,231,602	₩ 41,742,660	₩ 11,155,338	₩ 669,775	₩ 441,258	₩ 14,331,488	₩ 94,572,121
Increase (decrease)	933,663	2,048,733	323,904	(1,682)	63,439	1,327,970	4,696,027
Ending balance	₩ 27,165,265	₩ 43,791,393	₩ 11,479,242	₩ 668,093	₩ 504,697	₩ 15,659,458	₩ 99,268,148

18. Liability Adequacy Test

Amendments to Detailed Regulations on Insurance Supervision

The method for assessing the adequacy of insurance contract liabilities was changed according to the amendments to Detailed Regulations on Insurance Supervision. The Group has changed its accounting policies, as the new method is considered to provide more reliable and relevant information about the current estimates of future cash flows. The comparative notes information as at December 31, 2019 and 2018, have been restated to reflect the changes in accounting policies retrospectively.

Contracts subject to liability adequacy test

The Group has performed the adequacy test for premium reserve and unearned premium reserve as at December 31, 2020. Premium reserves are net premium reserves after deducting deferred acquisition cost and policy loans (excluding policy loans of invalid contract and variable insurance).

Assumptions used for test are as follows:

Life insurance

Description	Applied assumptions	Basis
Discount rate	0.74%~12.67%	Scenario prepared by Korean Financial Supervisory Service.
Business expense rates	Acquisition costs	Calculated to be paid in the future base on the actual data for the recent one year by channels, products and payment methods in accordance with the relevant provisions.
	Maintenance costs	Calculated by channels using the actual statistical data for the recent one year based on the number of contracts held, premium revenue and etc.
Lapse ratio	1.0%~62.0%	Calculated by payment methods, channels, product groups and elapsed time based on our experience in the recent five years.
Risk ratio	8%~175%	Calculated as a ratio of by life tables, product groups, dividend types and elapsed time based on the actual statistical data for the recent five years as a ratio of risk insurance premium to insurance paid.

Non-life insurance

Description	Basis
Discount rate	Risk free interest rate plus risk spread in accordance with 200 scenarios prepared by Korean Financial Supervisory Service.
Business expense rates	Calculated to be paid in the future based on the actual statistical data for the recent one year.
Lapse ratio	Calculated by payment methods, channels, product groups and elapsed time based on our experience in the recent five years.
Ratio of risk	Calculated as a ratio of based on the actual statistical data for recent sixteen years as a ratio of risk insurance premium to insurance paid.

Liability adequacy test is performed by insurance contract types, and insurance contract types were classified into insurance with fixed rate insurance, floating rate insurance and variable life insurance. Surplus and deficiency by insurance types and result of liability adequacy test as at December 31, 2020, 2019 and 2018, are as follows:

Life insurance

(in millions of Korean won)	Surplus (deficiency)				
		2019		2018	
	2020	Prior to Change	After Change	Prior to Change	After Change
Fixed-rate insurance					
Participating	₩ (10,112,142)	₩ (8,773,369)	₩ (9,774,168)	₩ (8,687,011)	₩ (9,139,751)
Non-participating	3,370,634	1,913,961	874,756	(341,668)	(1,078,983)
Floating-rate insurance					
Participating	(618,807)	(487,666)	(592,075)	(426,690)	(460,509)
Non-participating	6,570,115	7,326,613	6,244,008	7,696,568	6,981,959
Variable life insurance	3,890,842	4,365,603	4,246,305	4,639,937	4,422,707
	₩ 3,100,642	₩ 4,345,141	₩ 998,827	₩ 2,881,136	₩ 725,423

Non-life insurance

(in millions of Korean won)	Surplus (deficiency)				
		2019		2018	
	2020	Prior to Change	After Change	Prior to Change	After Change
Premium reserve and reserve for unearned premium	₩ 7,350,901	₩ 6,403,366	₩ 5,864,691	₩ 6,973,307	₩ 6,704,185

As a result of liability adequacy test, as at December 31, 2020, no additional insurance premium reserve has generated. The changes in accounting policies have no effect on the consolidated financial statements of prior years, presented herein for comparative purposes.

19. Policyholders' Equity Adjustment

Details of policyholders' equity adjustments as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Changes in the fair value of available-for-sale financial assets	₩	1,111,540	₩	1,105,959
Share of other comprehensive income of associates and joint ventures		(1,207)		(965)
Gain on revaluation of property and equipment		97,969		101,765
	₩	1,208,302	₩	1,206,759

20. Separate Accounts

Separate account assets and liabilities as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Separate account assets before netting	₩	25,988,479	₩	23,221,412
Separate account payables before netting		(666,337)		(1,093,331)
Separate account assets after netting [1]		25,322,142		22,128,081
Separate account liabilities before netting		25,907,283		23,143,776
Separate account receivables before netting		(145,642)		(150,587)
Separate account liabilities after netting [1]		25,761,641		22,993,189
Other comprehensive income of separate accounts	₩	81,196	₩	77,636

[1] Before elimination of intra-group transactions.

Statements of financial position of separate accounts as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020	2019
Assets		
Cash and deposits	₩ 460,097	₩ 420,931
Securities	21,949,882	19,208,064
Loans	2,158,951	1,882,042
Other assets	753,212	617,038
Other receivables from general account	666,337	1,093,337
	25,988,479	23,221,412
Liabilities		
Other liabilities	800,842	178,049
Other payables from general account	145,642	150,710
Insurance contract liabilities	17,379,085	16,613,249
Investment contract liabilities	7,581,714	6,201,768
	25,907,283	23,143,776
Accumulated other comprehensive income	81,196	77,636
	₩ 25,988,479	₩ 23,221,412

Statements of comprehensive income of separate accounts for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020		2019	
	Guranteed interest contracts	Investment-linked fund	Guranteed interest contracts	Investment-linked fund
Revenue[1]:				
Premium income	₩ -	₩ 1,945,401	₩ -	₩ 2,269,088
Interest income	138,040	204,864	127,392	269,084
Dividend income	3,602	90,130	7,005	94,593
Commission income	426	1,029	23	2,020
Gain on disposal of securities	16,815	793,614	25,930	394,645
Gain on valuation of securities	2,368	1,005,798	291	540,046
Gain on settlement of derivatives	1,268	247,375	858	147,186
Gain on valuation of derivatives	16,122	114,838	9,076	19,364
Gain on foreign currency transaction	8,203	5,332	30,773	4,143
Other income	791	52,865	361	19,932
	₩ 187,635	₩ 4,461,246	₩ 201,709	₩ 3,760,101

[1] Before elimination of intra-group transactions.

(in millions of Korean won)	2020		2019	
	Guranteed interest contracts	Investment-linked fund	Guranteed interest contracts	Investment-linked fund
Expenses[1]:				
Change in reserves for insurance contracts and investment contracts	₩ 127,828	₩ 768,419	₩ 86,305	₩ 432,351
Insurance claims paid	3,207	1,840,973	23,457	1,754,894
Minimum guarantee fee	-	81,394	-	78,358
Separate account commission	27,884	883,554	19,214	891,118
Commission expense	46	29,905	61	27,589
Taxes and dues	46	16,882	288	11,864
Loss on disposal of securities	2,770	483,581	17,987	270,530
Loss on valuation of securities	8	87,695	10,030	128,250
Loss on settlement of derivatives	8,799	250,891	30,477	148,564
Loss on valuation of derivatives	3,339	4,942	12,516	9,743
Loss on foreign currency transaction	13,617	3,294	1,175	1,304
Other expenses	91	9,716	199	5,536
	₩ 187,635	₩ 4,461,246	₩ 201,709	₩ 3,760,101

[1] Before elimination of intra-group transactions.

Revenue and expenses on performance-based trust accounts (variable insurance contract) are not reflected in the consolidated statements of comprehensive income of general account. However, revenue and expenses on trust accounts guaranteeing the repayment of principal are accounted for as separate account revenue and expenses in the consolidated statements of comprehensive income of general account.

Meanwhile, other comprehensive income after tax from the trust accounts guaranteeing the repayment of principal for the years ended December 31, 2020 and 2019, is ₩ 3,570 million and ₩ 66,696 million, respectively.

As at December 31, 2020, equity securities of ₩ 69,146 million (2019: ₩ 25,937 million) and debt securities of ₩ 683,290 million (2019: ₩ 288,367 million), out of separate accounts assets, are pledged as collateral in relation to derivative transactions and repurchase agreement transactions of separate accounts.

In accordance with the regulations under the Capital Market and Financial Investment Business act, the Group differentiates trust assets from the Group's identifiable assets, and recognizes trust commission as operating income when receiving trust commission. As at December 31, 2020, the amount of the trust fund under the contract with the Group is ₩ 2,146,544 million.

21. Net Defined Benefit Liabilities and Assets

Details of net defined benefit liabilities and assets recognized in the statements of financial position as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Present value of defined benefit obligations	₩	503,651	₩	512,590
Fair value of plan assets		(341,329)		(338,788)
Net defined benefit assets		(4,714)		-
Net defined benefit liabilities		167,036		173,802

Movements in the defined benefit obligations for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Beginning balance	₩	512,590	₩	507,408
Current service cost		48,871		50,423
Interest expense		14,222		16,822
Past service cost		-		551
Benefit payments		(65,361)		(59,099)
Remeasurements:				
Actuarial loss from change in demographic assumptions		82		1,096
Actuarial loss from change in financial assumptions		317		3,605
Actuarial gain from experience adjustments		(8,242)		(7,314)
Transfer from and to associates		1,145		(1,001)
Changes in scope of consolidation and others		27		99
Ending balance	₩	503,651	₩	512,590

Movements in the fair value of plan assets for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		**2020**		**2019**
Beginning balance	₩	338,788	₩	355,534
Interest income		11,188		14,329
Employers' contributions		54,623		52,110
Benefit payments		(57,160)		(77,107)
Operating management fees		(562)		(814)
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)		(5,877)		(6,824)
Transfer from and to associates		437		1,462
Changes in scope of consolidation and others		(108)		98
Ending balance	₩	341,329	₩	338,788

Plan assets as at December 31, 2020 and 2019, consist of:

(in millions of Korean won)	**2020**			**2019**		
		Amount	**Composition (%)**		**Amount**	**Composition (%)**
Insurer's guaranteed interest deposits and others	₩	340,269	98.69	₩	337,679	99.7
Contribution to National Pension Fund		1,059	0.31		1,109	0.3
	₩	341,328	100	₩	338,788	100.0

The significant actuarial assumptions as at December 31, 2020 and 2019, are as follows:

(in percentage, %)	**2020**	**2019**
Discount rate	2.86 ~ 3.44	1.95 ~ 4.01
Expected salary growth rate	3.09 ~ 4.63	2.86 ~ 5.63

The sensitivity of the defined benefit obligations as at December 31, 2020, to changes in the weighted principal assumptions is:

(in millions of Korean won)	**Effect on defined benefit obligation**			
		1% increase		**1% decrease**
Discount rate	₩	(29,855)	₩	33,465
Expected salary growth rate		33,467		(30,410)

The expected maturity analysis of undiscounted pension benefits as at December 31, 2020, is as follows:

(in millions of Korean won)	**Less than 1 year**	**1~2 years**	**2~5 years**	**Over 5 years**	**Total**
Pension benefits	₩ 49,484	₩ 87,705	₩ 164,227	₩ 798,716	₩ 1,100,132

The weighted average duration of the defined benefit obligations is 6.23~10 years.

The Group operates defined contribution retirement pension for employees have rendered service entitling them to the contribution. Plan assets are operated in the form of funds independently from the Group's other assets by the control of fiduciary. If an employee leaves the Group before meeting the qualification to obtain vested rights, his contribution benefit will be decreased due to the early retirement. This also leads to the decrease of contribution benefit payables to the employee by the same amount from the early retirement. The actual expenses on defined contribution retirement pension for the years ended December 31, 2020 and 2019, are ₩ 10,676 million and ₩ 11,512 million, respectively.

The Group provide long-term employee benefits that are entitled to employees with certain level of service periods. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The re-measurement amount derived from change is actuarial assumptions and the difference between actuarial assumption and the actual result is recognized as a profit and loss. This benefit is assessed by an independent and qualified actuary at the end of every year end.

As at and for the year ended December 31, 2020, the Group recognizes liabilities of ₩ 43,757 million (2019: ₩ 37,670 million) and expense of ₩ 9,095 million (2019: ₩ 11,022 million) in connection with the long-term employee benefits.

The significant actuarial assumptions used to calculate the long-term employee benefits as at December 31, 2020 and 2019, are as follows:

(in percentage, %)	**2020**	**2019**
Discount rate	2.48 ~ 2.94	2.59 ~ 2.91

The sensitivity of the long-term employee benefits as at December 31, 2020, to changes in the weighted principal assumptions is:

(in millions of Korean won)	**Effect on defined benefit obligation**	
	1% increase	**1% decrease**
Discount rate	₩ (2,631)	₩ 2,938

22. Provisions

Changes in provisions for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020				
	Beginning balance	Increase	Decrease	Transfer	Ending balance
Provision for restoration	₩ 15,850	₩ 467	₩ (1,323)	₩ 1,300	₩ 16,294
Others	622	59,295	-	-	59,917
	₩ 16,472	₩ 59,762	₩ (1,323)	₩ 1,300	₩ 76,211

(in millions of Korean won)	2019				
	Beginning balance	Increase	Decrease	Transfer	Ending balance
Provision for restoration	₩ 14,759	₩ 1,231	₩ (1,226)	₩ 1,086	₩ 15,850
Others	608	320	(33)	(273)	622
	₩ 15,367	₩ 1,551	₩ (1,259)	₩ 813	₩ 16,472

23. Other Financial Liabilities

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

(in millions of Korean won)	2020	2019
Insurance claims payables	₩ 370,048	₩ 629,489
Other payables	224,253	218,942
Accrued expenses	358,102	348,785
Deposits received	139,194	138,894
Borrowings	74,628	78,022
Debentures	477,929	477,960
Lease liabilities	81,034	64,083
Others	738,140	576,226
	₩ 2,463,328	₩ 2,532,401

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

(in millions of Korean won)

Creditor	Type	Annual interest rate as at December 31, 2020	2020	2019
Shinhan Life Insurance Co., Ltd. and 1 other financial institution	Secured loan[1]	2.95%~ 3.38%	₩ 74,628	₩ 78,022

[1] Certain investment properties amounting to ₩ 78,628 million are provided as collateral in relation to above borrowings.

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

(in millions of Korean won)

Category [1]	Issuance date	maturity date	Annual interest rate as at December 31, 2020	2020	2019	Principal and interest payment method
8th public bonds	June 7, 2016	June 7, 2023	4.35%	₩ 128,000	₩ 128,000	Every three months payment / Lump sum payment
11th public bonds	October 31, 2018	October 31, 2028	4.50%	350,000	350,000	Every three months payment / Lump sum payment
Total : par value				478,000	478,000	
Discount on debentures and others				(71)	(40)	
Book amount				₩ 477,929	₩ 477,960	

[1] It is publicly offered non-guaranteed subordinate corporate bonds issued by Hanwha General Insurance Co., Ltd., a subsidiary.

Details of contractual remaining maturity of borrowings and debentures as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020			
	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
Expected repayment	₩ 77,698	₩ 21,908	₩ 595,874	₩ 695,480

(in millions of Korean won)	2019			
	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
Expected repayment	₩ 43,939	₩ 80,968	₩ 593,624	₩ 718,531

24. Other Liabilities

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

(in millions of Korean won)		**2020**		**2019**
Value-added tax withheld	₩	4,138	₩	1,833
Advance received		14,517		9,902
Unearned revenues		10,390		7,038
Premium received in advance		174,287		135,062
Others		313		312
	₩	203,645	₩	154,147

25. Share Capital and Additional Paid-in Capital

Details of share capital as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won except for par value)		**2020**		**2019**
Number of shares authorized		1,500,000,000 shares		1,500,000,000 shares
Par value	₩	5,000	₩	5,000
The number of ordinary shares issued		868,530,000 shares		868,530,000 shares
Share capital	₩	4,342,650	₩	4,342,650

Details of additional paid-in capital as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		**2020**		**2019**
Share premium	₩	485,281	₩	485,281
Treasury shares		(924,085)		(924,085)
Share-based payments		560		-
Others		(15,873)		(19,083)
	₩	(454,117)	₩	(457,887)

Under the resolution of the shareholders' meeting and the board of directors during the current year, the Group has granted the Restricted Stock Unit ("RSU"), as part of annual bonus, to certain executives and employees with a condition of remaining in employment and providing services during their respective vesting period. 50% of the amount granted is given in the Company's shares and the remaining portions are paid in cash based on the stock value. Details of the RSU granted as at December 31, 2020, are as follows:

	2020
Grant date	2020-03-23
Exercisable period	After ten years from the grant date
Service period	2020
Total number of shares granted	625,928 shares
Fair value of shares granted	₩ 560 million（₩ 895 per share）
Share-based payment expenses recognized during the current year	
For shares	₩ 560 million
Cash based on the stock value[1]	₩ 1,527million
	₩ 2,087 million

[1] As at December 31, 2020, other financial liabilities amounting to ₩ 1,527 million are recorded in relation to the above cash based on the stock value.

26. Hybrid Capital Instruments

Details of hybrid capital instruments as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)

Category	Issuance date	Maturity date	Annual interest rate	2020	2019
Bearer, non-guarantee, coupon hybrid capital instruments	April 13, 2017	April 13, 2047	4.582%	₩ 500,000	₩ 500,000
Hybrid capital instruments in foreign currency	April 23, 2018	April 23, 2048	4.700%	1,067,300	1,067,300
Bearer, non-guarantee, coupon hybrid capital instruments	July 4, 2019	July 4, 2049	3.690%	500,000	500,000
Issuance cost				(10,956)	(11,003)
				₩ 2,056,344	₩ 2,056,297

The hybrid capital instruments are puttable by the Group five years after the issuance date and eligible for one-time adjustment of interest rate 10 years after the issuance date. Upon the maturity date, the bond is eligible for extension.

27. Other Components of Equity

Details of other components of equity as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		**2020**		**2019**
Changes in the fair value of available-for-sale financial assets	₩	2,524,759	₩	2,575,982
Losses on valuation of derivatives financial instruments for hedge accounting		(188,004)		(125,755)
Share of other comprehensive income of associates and joint ventures		(6,027)		(4,583)
Other comprehensive income of separate accounts		81,196		77,626
Gain on revaluation of property and equipment		411,044		408,428
Remeasurements of defined benefit obligations		(130,128)		(130,389)
Gain (losses) on foreign currency translation of foreign operations		(11,858)		19,288
	₩	2,680,982	₩	2,820,597

28. Retained Earnings

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

(in millions of Korean won)		**2020**		**2019**
Legal reserve	₩	126,338	₩	124,084
Retained earnings before appropriation and others		3,914,232		3,800,117
	₩	4,040,570	₩	3,924,201

Details of appropriation (reversal) of reserve for credit losses and catastrophe reserves as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		**2020**		**2019**
Amounts estimated to be appropriated (reversed) for reserve for credit losses	₩	10,891	₩	(44,272)
Amounts estimated to be appropriated for catastrophe reserves		10,522		7,884

Adjusted profit (loss) after provision of reserve for credit losses and catastrophe reserves for the years ended December 31, 2020 and 2019, is as follows:

(in millions of Korean won except per share amounts)	2020	2019
Profit attributable to the ordinary equity holders of the Parent Company	₩ 235,078	₩ 100,421
Dividends paid to holders of hybrid capital instruments	(96,514)	(86,630)
	138,564	13,791
Provision (reversal) of reserve for credit losses	10,891	(44,272)
Provision of catastrophe reserves	10,522	7,884
Adjusted profit for the year after provision (reversal)	₩ 117,152	₩ 50,179
Adjusted earnings per share after provision (reversal)	₩ 156	₩ 67

29. Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020							
	Interest income	Dividends income	Commission income	Gain (loss) on valuation	Gain (loss) on disposal	Reversal of impairment loss (impairment loss)	Gain (loss) on foreign currency transaction	Total
Cash and cash equivalents	₩ 6,826	₩ -	₩ -	₩ -	₩ -	₩ -	₩ (9,444)	₩ (2,618)
Loans and receivables								
Deposits	28,118	-	-	-	-	-	(2,872)	25,246
Loans	1,260,742	-	8,997	-	(1,968)	(106,190)	(4,126)	1,157,455
Other financial assets	4,842	-	1,093	-	-	(6,437)	(37,735)	(38,237)
Securities								
Financial assets at fair value through profit or loss	63,689	170,644	-	103,982	1,980	-	(275,500)	64,795
Available-for-sale financial assets	1,636,189	430,968	1,459	-	1,017,769	(217,752)	(523,235)	2,345,398
Derivative Instruments	-	-	-	1,078,155	(646,134)	-	-	432,021
Other financial liabilities	-	-	-	-	-	-	508	508
	₩ 3,000,406	₩ 601,612	₩ 11,549	₩ 1,182,137	₩ 371,647	₩ (330,379)	₩ (852,404)	₩ 3,984,568

(in millions of Korean won)	2019							
	Interest income	Dividends income	Commission income	Gain (loss) on valuation	Gain (loss) on disposal	Reversal of impairment loss (impairment loss)	Gain (loss) on foreign currency transaction	Total
Cash and cash equivalents	₩ 19,538	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 15,586	₩ 35,124
Loans and receivables								
Deposits	35,582	-	-	-	-	-	19,103	54,685
Loans	1,300,566	-	6,058	-	-	(109,312)	4,719	1,202,031
Other financial assets	5,067	-	1,788	-	-	(18,764)	10,930	(979)
Securities								
Financial assets at fair value through profit or loss	50,864	158,637	-	74,347	33,776	-	99,992	417,616
Available-for-sale financial assets	740,153	409,058	814	-	470,919	(265,605)	260,332	1,615,671
Held-to-maturity financial assets	836,312	-	15	-	-	-	626,413	1,462,740
Derivative Instruments	-	-	-	(205,255)	(811,553)	-	-	(1,016,808)
Other financial liabilities	-	-	-	-	-	-	(572)	(572)
	₩ 2,988,082	₩ 567,695	₩ 8,675	₩ (130,908)	₩ (306,858)	₩ (393,681)	₩ 1,036,503	₩ 3,769,508

30. Insurance Premium Income

Insurance premium income for the years ended December 31, 2020 and 2019, is as follows:

(in millions of Korean won)		2020	2019
Life Insurance			
	Annuity	₩ 2,249,776	₩ 2,221,043
Individual insurance	Whole life, Term life	5,958,859	5,644,580
	Endowment insurance	1,933,713	1,647,441
Group insurance		93,183	95,614
		10,235,531	9,608,678
Non-life Insurance			
General		475,087	588,040
Long-term		4,718,159	4,570,058
Automobile		799,034	821,319
		5,992,280	5,979,417
		₩ 16,227,811	₩ 15,588,095

31. Reinsurance Income and Expenses

Reinsurance income and expenses for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020					
	Reinsurance income			Reinsurance expense		
	Reinsurance claims recovered	Reinsurance commission income	Total	Reinsurance claims paid	Reinsurance commission expense	Total
Life Insurance						
Individual insurance	₩ 151,278	₩ 28,581	₩ 179,859	₩ (190,932)	₩ -	₩ (190,932)
Group insurance	1,181	-	1,181	(676)	-	(676)
	152,459	28,581	181,040	(191,608)	-	(191,608)
Non-life Insurance						
General	145,469	47,324	192,793	(258,700)	(6,476)	(265,176)
Long-term	709,614	(40,071)	669,543	(723,110)	-	(723,110)
Automobile	169,986	44,841	214,827	(156,874)	-	(156,874)
	1,025,069	52,093	1,077,162	(1,138,684)	(6,476)	(1,145,160)
	₩ 1,177,528	₩ 80,674	₩ 1,258,202	₩ (1,330,292)	₩ (6,476)	₩ (1,336,768)

(in millions of Korean won)	2019					
	Reinsurance income			Reinsurance expense		
	Reinsurance claims recovered	Reinsurance commission income	Total	Reinsurance claims paid	Reinsurance commission expense	Total
Life Insurance						
Individual insurance	₩ 137,762	₩ 28,037	₩ 165,799	₩ (175,514)	₩ -	₩ (175,514)
Group insurance	1,098	-	1,098	(853)	-	(853)
	138,860	28,037	166,897	(176,367)	-	(176,367)
Non-life Insurance						
General	268,507	60,351	328,858	(352,755)	(5,169)	(357,924)
Long-term	813,979	(55,262)	758,717	(804,442)	-	(804,442)
Automobile	201,728	38,607	240,335	(245,516)	-	(245,516)
	1,284,214	43,696	1,327,910	(1,402,713)	(5,169)	(1,407,882)
	₩ 1,423,074	₩ 71,733	₩ 1,494,807	₩ (1,579,080)	₩ (5,169)	₩ (1,584,249)

32. Other Income

Other income for the years ended December 31, 2020 and 2019, is as follows:

(in millions of Korean won)		2020		2019
Commission income	₩	25,476	₩	24,825
Dividend income		601,612		567,695
Rental income		165,755		154,893
Fees on trust accounts		40,427		36,192
Others		82,674		53,706
	₩	915,944	₩	837,311

33. Insurance Claims Paid

Insurance claims paid for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Insurance expenses	₩	4,109,615	₩	4,120,613
Refund expenses		8,194,735		7,716,678
Dividend expenses		45,092		42,452
	₩	12,349,442	₩	11,879,743

34. Business Expenses

Business expenses for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		**2020**		**2019**
Acquisition costs:				
Agent commissions	₩	859,249	₩	878,776
Sales office operations		103,848		115,245
Sales promotional expenses		201,866		193,017
Other acquisition costs		606,269		661,312
Deferred policy acquisition costs		(1,277,161)		(1,332,263)
		494,071		516,087
Maintenance expenses:				
Salaries and bonus		549,345		501,743
Post-employment benefits		86,410		61,838
Employee benefits		129,298		130,227
Rental expenses		22,384		29,722
Information technology		73,731		66,480
Communication expenses		21,820		23,514
Others		638,427		655,668
		1,521,415		1,469,192
	₩	2,015,486	₩	1,985,279

35. Property Administration Expenses

Property administration expenses for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		**2020**		**2019**
Salaries and bonus	₩	22,504	₩	20,358
Post-employment benefits		5,938		5,057
Employee benefits		4,637		4,515
Communication expenses		4,774		4,462
Repair and maintenance expenses		8,897		9,248
Commission		46,594		47,370
Others		30,138		40,022
	₩	123,482	₩	131,032

36. Claim Handling Costs

Details of claim handling costs for the year ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Salaries	₩	47,477	₩	48,143
Post-employment benefits		4,058		4,027
Employee benefits		11,652		13,163
Administrative expenses		81,867		82,772
		145,054		148,105
Recovery of claim handling costs		(27,602)		(31,873)
	₩	117,452	₩	116,232

37. Other Expenses

Other expenses for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Depreciation for properties	₩	40,325	₩	36,631
Amortization of intangible assets		125,878		123,333
Discount charge		2,267		2,512
Commission expenses		8,381		8,599
Others		277,296		268,801
	₩	454,147	₩	439,876

38. Non-operating Income and Expenses

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				
Gain on valuation of investments in associates	₩	9,856	₩	16,981
Gain on disposal of investments in associates		-		420
Gain on disposal of property and equipment and investment properties		8,610		24,587
Gain on disposal of intangible assets		2,495		-
Miscellaneous income		19,905		19,833
	₩	40,866	₩	61,821
Non-operating expenses				
Loss on valuation of investments in associates	₩	5,162	₩	17,890
Loss on disposal of investments in associates		-		2,656
Loss on write-off of property and equipment		26		-
Loss on disposal of property and equipment and investment properties		15,016		15,375
Loss on disposal of intangible assets		245		2
Impairment loss on intangible assets		41		-
Donations		8,868		10,958
Miscellaneous loss		80,288		29,460
	₩	109,646	₩	76,341

39. Income Tax Expense (Income)

Income tax expense (Income) for the years ended December 31, 2020 and 2019, consists of:

(in millions of Korean won)		2020		2019
Current income tax	₩	28,051	₩	1,407
Tax expenses charged directly to equity		(1,705)		1,687
Origination and reversal of temporary differences		40,407		(26,882)
Income tax expense (Income)	₩	66,752	₩	(23,788)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

(in millions of Korean won)		2020		2019
Profit before income tax expense	₩	307,963	₩	34,879
Tax at domestic tax rates applicable to profits in the respective countries		75,780		9,141
Adjustments:				
Income not subject to tax		(31,151)		(28,135)
Expenses not deductible for tax purposes		2,545		2,453
Others		19,578		(7,247)
Income tax expense (Income)	₩	66,752	₩	(23,788)
Effective tax rate		21.68%		(68.20%)

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

(in millions of Korean won)		2020		2019		Change
Deferred tax assets (liabilities) due to temporary differences	₩	(68,914)	₩	(28,507)	₩	(40,407)
Deferred tax assets (liabilities) charged or credited directly to equity		(965,380)		(1,049,625)		84,245
	₩	(1,034,294)	₩	(1,078,132)	₩	43,838

The difference between the number above and ₩ 1,007,012 million (2019: ₩ 1,050,862 million), the amount in the consolidated statements of financial position is due to the deferred tax effect regarding accumulated other comprehensive income of separate accounts, which was accounted for as other liabilities in the statements of financial position of separate accounts.

Movements in deferred tax assets (liabilities) for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020		
	Beginning balance	Increase (decrease)	Ending balance
Post-employment benefit obligations	₩ 3,603	₩ (1,953)	₩ 1,650
Receivables	(11,470)	1,914	(9,556)
Accrued income	(95,062)	42	(95,020)
Securities	(211,441)	109,084	(102,357)
Insurance contract liabilities	363,847	51,290	415,137
Property and equipment	(139,211)	11,567	(127,644)
Derivative financial instruments	78,353	(251,408)	(173,055)
Accrued expenses	38,319	(4,757)	33,562
Others	(55,445)	43,815	(11,631)
	₩ (28,507)	₩ (40,406)	₩ (68,914)

(in millions of Korean won)	2019		
	Beginning balance	Increase (decrease)	Ending balance
Post-employment benefit obligations	₩ 875	₩ 2,728	₩ 3,603
Receivables	(5,629)	(5,841)	(11,470)
Accrued income	(99,274)	4,212	(95,062)
Securities	132,766	(344,207)	(211,441)
Insurance contract liabilities	262,756	101,091	363,847
Property and equipment	(136,625)	(2,586)	(139,211)
Derivative financial instruments	6,429	71,924	78,353
Accrued expenses	38,278	41	38,319
Others	(254,965)	199,520	(55,445)
	₩ (55,389)	₩ 26,882	₩ (28,507)

The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Current tax charged directly to equity:				
Remeasurements of the net defined benefit liabilities	₩	(1,705)	₩	1,687
Deferred tax charged directly to equity:				
Changes in the fair value of available-for-sale financial assets		63,442		(998,876)
Gains on valuation of held-to-maturity financial assets		-		233,402
Accumulated other comprehensive income of associates and joint ventures		127		357
Gains on valuation of derivatives financial instruments for hedge accounting		21,519		54,151
Accumulated other comprehensive income of separate accounts		(8)		(23,533)
Gains (losses) on revaluation of property and equipment		(835)		(1,151)
	₩	84,245	₩	(735,650)

Details of unrecognized deductible temporary differences as deferred tax assets as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Valuation of investments in associates	₩	75,437	₩	72,295

40. Earnings per Share

Basic earnings per share for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won except for number of shares and per share amounts)		2020	2019
Profit attributable to the equity holders of the Parent Company	₩	235,078	100,421
Dividends paid to holders of hybrid capital instruments		(96,514)	(86,630)
Profit attributable to the ordinary equity holders of the Parent Company		138,564	13,791
Weighted average number of ordinary shares outstanding [1]		752,016,178 shares	751,390,250 shares
Basic earnings per share [2]	₩	184	18

[1] Treasury shares are excluded and the number of shares vested due to the grant of RSU are included in calculating the weighted average number of ordinary shares outstanding.
[2] Since there is no diluted effect of the dilutive potential ordinary shares in 2020 and 2019, basic earnings per share is identical to diluted earnings per share.

41. Related-Party Transactions

Details of the related parties of the Group and affiliates of large business group as at December 31, 2020 and 2019, are as follows:

Description	2020 Name of entity
Parent Company	Hanwha Corporation
Related parties who have significant influence	Hanwha Engineering & Construction Corp.
Associates and joint ventures	New Airport Highway Co., Ltd., and others
Others and affiliates of large business group	Hanwha Systems Co., Ltd.
	Hanwha Eagles Professional Baseball Club Co., Ltd.
	Hanwha Galleria Co., Ltd.
	Hanwha Hotels & Resorts Co., Ltd.
	Hanwha Solutions Corporation and others

Description	2019 Name of entity
Parent Company	Hanwha Corporation
Related parties who have significant influence	Hanwha Engineering & Construction Corp.
Associates and joint ventures	New Airport Highway Co., Ltd., and others
Others and affiliates of large business group	Hanwha Systems Co., Ltd.
	Hanwha Eagles Professional Baseball Club Co., Ltd.
	Hanwha Galleria Co., Ltd.
	Hanwha Hotels & Resorts Co., Ltd.
	Hanwha Solutions Corporation and others

Significant transactions between the Group and related parties or affiliates of large business group for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)

		2020				
		Revenue				
Type	**Name of entity**	**Rental income**	**Service income**	**Interest income**	**Other income**	**Total**
Parent Company	Hanwha Corporation	₩ 12,027	₩ 41	₩ -	₩ 5,559	₩ 17,627
Related parties who have significant influence	Hanwha Engineering & Construction Corp.	7,594	31	-	5,212	12,837
Associates and joint ventures	Jeonla Railroad Co., Ltd.	-	-	2,966	-	2,966
	New Airport Highway Co., Ltd.	-	-	1,239	4,623	5,862
	A&D Credit Information Co., Ltd.	-	-	-	102	102
	Pangyo SD2 Co., Ltd.	-	-	1,360	1,879	3,239
	Others (associates)	-	12	4,813	758	5,583
		-	12	10,378	7,362	17,752
Others and affiliates of large business group	Hanwha Systems Co., Ltd.	5,662	14	-	2,681	8,357
	Hanwha Eagles Professional Baseball Club Co., Ltd.	11	25	-	93	129
	Hanwha Galleria Co., Ltd.	1,916	2	-	669	2,587
	Hanwha Hotels & Resorts Co., Ltd.	10,665	2,872	-	3,040	16,577
	Hanwha Solutions Corporation	6,158	33	-	8,025	14,216
	Others	40,011	142	1,096	34,956	76,205
		64,423	3,088	1,096	49,464	118,071
		₩ 84,044	₩ 3,172	₩ 11,474	₩ 67,597	₩ 166,287

(in millions of Korean won)		2020				
		Expenses				
Type	**Name of entity**	**Insurance claims paid**	**Business and administration expenses**	**Other expenses**	**Acquisitions of property and equipment and intangible assets**	**Total**
Parent Company	Hanwha Corporation	₩ 355	₩ 80,205	₩ 553	₩ -	₩ 81,113
Related parties who have significant influence	Hanwha Engineering & Construction Corp.	531	-	-	-	531
Associates and joint ventures	Jeonla Railroad Co., Ltd.	-	-	-	-	-
	New Airport Highway Co., Ltd.	15	-	-	-	15
	A&D Credit Information Co., Ltd.	20	8,212	-	-	8,232
	Pangyo SD2 Co., Ltd.	-	-	-	-	-
	Others (associates)	1	57	-	-	58
		36	8,269	-	-	8,305
Others and affiliates of large business group	Hanwha Systems Co., Ltd.	642	65,661	2,609	27,600	96,512
	Hanwha Eagles Professional Baseball Club Co., Ltd.	64	9,795	124	-	9,983
	Hanwha Galleria Co., Ltd.	26	6,987	101	-	7,114
	Hanwha Hotels & Resorts Co., Ltd.	831	2,553	193	-	3,577
	Hanwha Solutions Corporation	1,971	961	-	-	2,932
	Others	6,610	14,387	6,954	-	27,951
		10,144	100,344	9,981	27,600	148,069
		₩ 11,066	₩ 188,818	₩ 10,534	₩ 27,600	₩ 238,018

(in millions of Korean won)

		2019				
		Revenue				
Type	Name of entity	Rental income	Service income	Interest income	Other income	Total
Parent Company	Hanwha Corporation	₩ 10,069	₩ 251	₩ -	₩ 5,241	₩ 15,561
Related parties who have significant influence	Hanwha Engineering & Construction Corp.	909	172	-	7,705	8,786
Associates and joint ventures	Jeonla Railroad Co., Ltd.	-	-	3,138	-	3,138
	New Airport Highway Co., Ltd.	-	-	1,257	5,144	6,401
	A&D Credit Information Co., Ltd.	-	-	-	9	9
	Pangyo SD2 Co., Ltd.	-	-	1,360	2,031	3,391
	Others (associates)	-	178	5,353	2,615	8,146
		-	178	11,108	9,799	21,085
Others and affiliates of large business group	Hanwha Systems Co., Ltd.	4,326	59	-	1,448	5,833
	Hanwha Eagles Professional Baseball Club Co., Ltd.	-	-	-	88	88
	Hanwha Galleria Co., Ltd.	2,268	16	-	684	2,968
	Hanwha Hotels & Resorts Co., Ltd.	12,975	2,901	-	4,167	20,043
	Hanwha Solutions Corporation	5,217	187	-	7,074	12,478
	Others	35,321	1,723	2,262	39,001	78,307
		60,107	4,886	2,262	52,462	119,717
		₩ 71,085	₩ 5,487	₩ 13,370	₩ 75,207	₩ 165,149

(in millions of Korean won)

		2019				
		Expenses				
Type	Name of entity	Insurance claims paid	Business and administration expenses	Other expenses	Acquisitions of property and equipment and intangible assets	Total
Parent Company	Hanwha Corporation	₩ 706	₩ 67,697	₩ 809	₩ -	₩ 69,212
Related parties who have significant influence	Hanwha Engineering & Construction Corp.	5,933	-	-	48,560	54,493
Associates and joint ventures	Jeonla Railroad Co., Ltd.	-	-	-	-	-
	New Airport Highway Co., Ltd.	3	-	-	-	3
	A&D Credit Information Co., Ltd.	16	7,974	-	-	7,990
	Pangyo SD2 Co., Ltd.	-	-	-	-	-
	Others (associates)	-	38	-	-	38
		19	8,012	-	-	8,031
Others and affiliates of large business group	Hanwha Systems Co., Ltd.	675	65,362	1,740	1,875	69,652
	Hanwha Eagles Professional Baseball Club Co., Ltd.	62	7,333	104	-	7,499
	Hanwha Galleria Co., Ltd.	50	7,894	87	-	8,031
	Hanwha Hotels & Resorts Co., Ltd.	615	4,338	225	1,108	6,286
	Hanwha Solutions Corporation	2,183	-	-	-	2,183
	Others	7,169	14,091	7,567	-	28,827
		10,754	99,018	9,723	2,983	122,478
		₩ 17,412	₩ 174,727	₩ 10,532	₩ 51,543	₩ 254,214

Significant fund transactions between the Group and related parties or affiliates of the large business group for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020							
	Loan transaction		**Borrowing transaction**		**Cash contribution**		**Dividend**	
	Loans	**Collection**	**Borrowings**	**Repayments**	**Investment**	**Collection**	**Paid**	**Received**
Parent Company:								
Hanwha Corporation	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 4,728	₩ -
Related parties with significant influence:								
Hanwha Engineering & Construction Corp.[1]	-	-	-	-	-	-	6,538	-
Associates and joint ventures:								
Sino Korea Life Insurance Co.,Ltd(China)	-	-	-	-	-	-	-	-
Green Kimhae Enviro Co., Ltd.	-	860	-	-	-	-	-	-
Jeonla Railroad Co., Ltd.	-	7,155	-	-	-	-	-	-
ULSAN CHONGCHUN Co., Ltd.	-	952	-	-	-	-	-	-
New Airport Highway Co., Ltd.	-	530	-	-	-	-	-	4,551
NHN Payco Corporation	-	-	-	-	14,500	-	-	-
Others (associates)	-	7,585	-	-	20,562	7,195	-	2,497
	-	17,082	-	-	35,062	7,195	-	7,048
Others and affiliates of large business group:								
Hanwha Galleria Timeworld Co., Ltd.	-	-	-	-	-	-	456	-
Hanwha Systems Co., Ltd.	-	-	-	1,896	-	-	-	-
Others	-	-	-	272	-	-	-	-
	-	-	-	2,168	-	-	456	-
	₩ -	₩ 17,082	₩ -	₩ 2,168	₩ 35,062	₩ 7,195	₩ 11,722	₩ 7,048

Hanwha Life Insurance Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

(in millions of Korean won)	2019							
	Loan transaction		Borrowing transaction		Cash contribution		Dividend	
	Loans	Collection	Borrowings	Repayments	Investment	Collection	Paid	Received
Parent Company:								
Hanwha Corporation	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 15,760	₩ -
Related parties with significant influence:								
Hanwha Engineering & Construction Corp.[1]	-	-	-	-	-	-	21,792	-
Associates and joint ventures:								
Sino Korea Life Insurance Co.,Ltd(China)	-	-	-	-	43,035	-	-	-
Green Kimhae Enviro Co., Ltd.	-	812	-	-	-	-	-	-
Jeonla Railroad Co., Ltd.	-	6,989	-	-	-	-	-	-
ULSAN CHONGCHUN Co., Ltd.	-	930	-	-	-	-	-	-
New Airport Highway Co., Ltd.	-	464	-	-	-	-	-	5,075
NHN Payco Corporation	-	-	-	-	50,000	-	-	-
Others (associates)	-	7,288	-	-	7,724	6,745	-	4,624
	-	16,483	-	-	100,759	6,745	-	9,699
Others and affiliates of large business group:								
Hanwha Galleria Timeworld Co., Ltd.	-	-	-	-	-	-	1,520	-
Hanwha Systems Co., Ltd.	-	-	-	1,896	-	-	-	-
Others	-	-	-	267	-	-	-	-
	-	-	-	2,163	-	-	1,520	-
	₩ -	₩ 16,483	₩ -	₩ 2,163	₩ 100,759	₩ 6,745	₩ 39,072	₩ 9,699

Outstanding balances arising from sales/purchases of goods and services as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020					
	Receivables			Payables		
	Loans	Other receivables	Total	Leasehold deposit received	Other payables	Total
Parent Company:						
Hanwha Corporation	₩ -	₩ 45	₩ 45	₩ 5,209	₩ 19,268	₩ 24,477
Related parties with significant influence:						
Hanwha Engineering & Construction Corp.	-	3	3	3,931	3,697	7,628
Associates and joint ventures:						
Jeonla Railroad Co., Ltd.	71,376	8	71,384	-	27	27
New Airport Highway Co., Ltd.	12,409	117	12,526	-	708	708
A&D credit information. Co., Ltd.	-	232	232	-	1,523	1,523
Pangyo SD2 Co., Ltd.	40,000	37	40,037	-	-	-
ULSAN CHONGCHUN Co., Ltd.	10,659	1	10,660	-	-	-
Others (associates)	95,786	151	95,937	-	351	351
	230,230	546	230,776	-	2,609	2,609
Others and affiliates of large business group:						
Hanwha Systems Co., Ltd.	-	1,215	1,215	3,489	48,693	52,182
Hanwha Eagles Professional Baseball Club Co., Ltd.	-	1,572	1,572	-	2,385	2,385
Hanwha Galleria Co., Ltd.	-	110	110	953	434	1,387
Hanwha Hotels & Resorts Co., Ltd.	-	36,829	36,829	5,248	2,493	7,741
Hanwha Solutions Corporation	-	35	35	2,994	85,578	88,572
Others	35,512	26,556	62,068	23,502	324,501	348,003
	35,512	66,317	101,829	36,186	464,084	500,270
	₩ 265,742	₩ 66,911	₩ 332,653	₩ 45,326	₩ 489,658	₩ 534,984

(in millions of Korean won)	2019					
	Receivables			Payables		
	Loans	Other receivables	Total	Leasehold deposit received	Other payables	Total
Parent Company:						
Hanwha Corporation	₩ -	₩ 368	₩ 368	₩ 6,724	₩ 16,629	₩ 23,353
Related parties with significant influence:						
Hanwha Engineering & Construction Corp.	-	756	756	-	4,275	4,275
Associates and joint ventures:						
Jeonla Railroad Co., Ltd.	78,531	8	78,539	-	40	40
New Airport Highway Co., Ltd.	12,940	120	13,060	-	664	664
A&D credit information. Co., Ltd.	-	65	65	-	2,490	2,490
Pangyo SD2 Co., Ltd.	40,000	34	40,034	-	-	-
ULSAN CHONGCHUN Co., Ltd.	11,611	1	11,612	-	-	-
Others (associates)	104,230	252	104,482	-	372	372
	247,312	480	247,792	-	3,566	3,566
Others and affiliates of large business group:						
Hanwha Systems Co., Ltd.	-	147	147	2,371	52,861	55,232
Hanwha Eagles Professional Baseball Club Co., Ltd.	-	2,180	2,180	-	2,638	2,638
Hanwha Galleria Co., Ltd.	-	18	18	1,118	1,290	2,408
Hanwha Hotels & Resorts Co., Ltd.	-	37,500	37,500	5,587	2,839	8,426
Hanwha Solutions Corporation	-	361	361	2,625	85,662	88,287
Others	35,512	2,473	37,985	24,141	295,263	319,404
	35,512	42,679	78,191	35,842	440,553	476,395
	₩ 282,824	₩ 44,283	₩ 327,107	₩ 42,566	₩ 465,023	₩ 507,589

Details of transactions of receivables through major related parties for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020	
	Selling	Buying
Hanwha Investment &Securities Co., Ltd.	₩ 216,400	₩ 2,075,692

(in millions of Korean won)	2019	
	Selling	Buying
Hanwha Investment &Securities Co., Ltd.	₩ 435,601	₩ 1,027,157

Key management refers to the registered executives who have the duties and responsibilities over the planning, operational, and managerial activities of the Group. The compensation paid or payable to key management for employee services for the years ended December 31, 2020 and 2019, consists of the following:

(in millions of Korean won)		**2020**		**2019**
Short-term employee benefits [1]	₩	3,909	₩	1,544
Post-employment benefits		304		260
	₩	4,213	₩	1,804

[1] Short-term employee benefits include ₩ 1,039 million in relation to share-based payments.

The dividend paid to the largest shareholder and key management for the years ended December 31, 2020 and 2019, is ₩ 6,543 million and ₩ 21,808 million, respectively.

42. Contingencies and Commitments

Pending litigations

The Group is involved in 729 litigations as a defendant with total claim amounts of ₩ 76,966 million, including involved insurance claims of ₩ 34,074 million. In addition, the Group is involved in 544 litigations as a plaintiff with total claim amount of ₩ 42,479 million, including involved damage suit claims of ₩ 968 million as at December 31, 2020. Presently, the cases are still pending and the final resolution cannot yet be determined.

Borrowing agreements with banks

The following table summarizes the outstanding borrowing agreements with banks as at December 31, 2020:

(in millions of Korean won)	**Details**		**Limit amount**
KEB Hana bank	Daily bank overdraft [1]	₩	30,000
	General bank overdraft		1,000
	General loan		500
	General purchase loan [2]		1,000
KB Kookmin Bank	General loan		8,000
Shinhan Bank	Daily bank overdraft [1]		63,500
	General bank overdraft		6,000
Standard Chartered Bank Korea	Daily bank overdraft [1]		54,000

[1] In relation to these agreements, government and public bonds of the Group (face value: ₩ 130,000 million) are pledged as collateral amounting to ₩ 140,000 million.

[2] In relation to these agreements, deposit and installment deposit of the Group are pledged as collateral amounting to ₩ 50 million.

Other commitments

Details of provided guarantees as at December 31, 2020, are as follows:

(in millions of Korean won)	Guaranteed amount		Guaranteed by	Description
	2020	2019		
Hanwha Life Insurance Co., Ltd. and others	₩ 394,589	₩ 410,357	Seoul Guarantee Insurance Co., Ltd	Deposits and others
Hanwha General Insurance Co., Ltd.	11,316	11,377	Seoul Guarantee Insurance Co., Ltd	Deposits and others
Hanwha Financial Asset Co., Ltd.[1]	-	235	Seoul Guarantee Insurance Co., Ltd	Performance guarantee
Hanwha Life Asset Co., Ltd. [1]	1,263	664	Seoul Guarantee Insurance Co., Ltd	Performance guarantee
Hanwha 63 City Corporation	373	2,372	Seoul Guarantee Insurance Co., Ltd	Performance guarantee and others
Hanwha Asset Management Co., Ltd.	-	33	Seoul Guarantee Insurance Co., Ltd	Performance guarantee

[1] Hanwha Life Asset Co., Ltd. merged with Hanwha Financial Asset Co., Ltd. during the year ended December 31, 2020.

Details of other commitments as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020		2019	
Loan commitments	₩	3,654,876	₩	3,961,792
Investment commitments		3,596,283		3,223,266
	₩	7,251,159	₩	7,185,058

As at December 31, 2020, the capital expenditure contracted but not recognized as liability in relation to property and equipment and investment property amounts to ₩ 18,755 million (2019: ₩ 25,915 million).

Operating Lease

The Group entered into a non-cancellable operating lease agreements for investment properties held by the Group. The future minimum lease payments expected to be received in relation to the operating lease agreement for investment property as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020		2019	
Within 1 year	₩	67,547	₩	84,434
1 - 5 years		56,359		93,779
Over 5 Years		55		12,401
	₩	123,961	₩	190,614

Details of outwards and inwards agreements the Group enters into for general, long-term and automobile insurance of Hanwha General Insurance Co., Ltd., a subsidiary, are as follows:

	Reinsurance company	Ratio	Insurance product
Proportional	Korean Reinsurance Company	10~30% of VaR	Auto insurance (excluding joint risk)
	Korean Reinsurance Company and others	15~70% of VaR	Fire insurance
	Korean Reinsurance Company and others	15~70% of VaR	Marine insurance
	Korean Reinsurance Company and others	20~90% of VaR	Special insurance
	Korean Reinsurance Company	25~65% of VaR	Long-term insurance (property, accident, disease and others)
	SCOR RE and others	5~60% of VaR	Long-term insurance (accident, disease and others)
Non-proportional	Korean Reinsurance Company and others	Indefinite more than ₩ 0.875 billion	Auto insurance (personal indemnification)
	Korean Reinsurance Company	₩ 1.26 billion ~ ₩ 5.75 billion	Auto insurance (auto-collateralisation)
	Korean Reinsurance Company	₩ 0.6 billion ~ ₩ 98 billion	Long-term insurance (property and accident)
	SWISS RE and others	0~100% of excess amount	Other general

Commitments with the related parties

- Hanwha Corporation

The Group has contract with Hanwha Corporation, the Parent Company, to pay brand fees which is calculated based on revenues, advertising expenses and others. The service fees paid in relation to this contact during the years ended December 31, 2020 and 2019, are disclosed in the transactions with the related parties.

- Hanwha Asset Management Co., Ltd.

As at December 31, 2020, the Group has a discretionary investment contract with Hanwha Asset Management Co., Ltd. regarding shares and beneficiary certificates.

- Hanwha 63 City Corporation

As at December 31, 2020, the Group has a property management contract with Hanwha 63 City Corporation to receive professional asset management service for the facilities held by the Group, lease and repairs and maintenance.

- Hanwha I&A Co., Ltd., Hanwha Life Asset Co., Ltd.

As at December 31, 2020, the Group has a service outsourcing contract with Hanwha I&A Co., Ltd., a subsidiary, to receive insurance contract verification services, call center services and other insurance related services, and entered into a service outsourcing contract with Hanwha Life Asset Co., Ltd., a subsidiary, to receive brokerage and maintenance of insurance contract.

- Hanwha Systems Co., Ltd.

As at December 31, 2020, the Group has a service contract for the development of information system with Hanwha Systems Co., Ltd. for the purpose of establishing the next generation insurance core system. The service fees paid in relation to this contact during the years ended December 31, 2020 and 2019, are disclosed in Note 41.

Sales agency agreement of beneficiary certificates

Sales agencies sell beneficiary certificates which represent beneficial interest of trust properties to beneficiaries in accordance with sales agency agreement between the Group and sales agencies. As at December 31, 2020, the Group entered into sales agency agreement of beneficiary certificates with 61 financial institutions including Hanwha Investment &Securities Co., Ltd.

43. Cash Generated from Operations

Adjustments for income and expenses of cash flows from operating activities for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Change in reserves for insurance contracts	₩	4,686,816	₩	4,645,780
Amortization of deferred policy acquisition costs		1,250,282		1,252,155
Post-employment benefits		52,466		53,467
Share-based payment expenses		2,087		-
Loss on valuation and disposal of loans and other receivables		114,595		128,076
Depreciation		164,251		149,251
Amortization		125,878		123,333
Loss on valuation and disposal of securities		228,347		147,659
Impairment loss on available-for-sale financial assets		217,752		265,605
Loss on foreign currency translation		1,221,924		201,271
Loss on valuation and transaction of derivatives		1,162,044		1,767,389
Interest expenses		30,532		31,225
Compensation loss		2,118		-
Loss on valuation of investments in associates		5,162		17,890
Loss on disposal of investments in associates		-		2,656
Loss on disposal of property and equipment and investment properties		15,016		15,376

(in millions of Korean won)	2020	2019
Loss on impairment of property and equipment	26	-
Loss on disposal of intangible asset	245	2
Loss on impairment of intangible asset	41	-
Income tax expense	66,752	(23,788)
Loss on cancellation of lease	1,283	
Loss on restoration cost	44	201
Miscellaneous losses	59,070	-
Other income	(127)	(2,155)
Interest income	(3,000,406)	(2,988,083)
Compensation income	-	(3,495)
Dividend income	(601,612)	(567,695)
Gain on disposal and valuation of securities	(1,352,078)	(726,701)
Gain on foreign currency translation	(166,968)	(1,071,632)
Gain on valuation and transaction of derivatives	(1,594,065)	(750,582)
Gain on valuation of investments in associates	(9,856)	(16,981)
Gain on disposal of investments in associates	-	(420)
Gain on disposal of property and equipment and investment properties	(8,611)	(24,587)
Gain on disposal of intangible asset	(2,495)	-
Gain on restoration cost	(189)	(121)
	₩ 2,670,324	₩ 2,625,094

Changes in operating assets and liabilities for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020	2019
Decrease (Increase) in deposits	₩ 493,793	₩ (205,257)
Increase in financial assets at fair value through profit or loss	(1,619,399)	(1,050,507)
Increase in loans	(1,901,050)	(1,982,118)
Changes in derivative instruments	(141,985)	(115,767)
Decrease (increase) in other financial assets	249,946	(224,158)
Increase in other assets	(1,276,911)	(1,326,622)
Decrease in net defined benefit liabilities	(61,980)	(35,748)
Increase (decrease) in other financial liabilities	(215,426)	288,355
Decrease in provisions	(965)	(304)
Increase in other liabilities	46,928	31,751
Changes in separate accounts	(409,215)	(17,962)
	₩ (4,836,264)	₩ (4,638,338)

Significant transactions not affecting cash flows for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
Transfer from property and equipment to investment properties	₩	70,733	₩	(33,949)
Transfer from construction-in-progress to buildings		73,169		32,702
Changes in policyholders' equity adjustments		1,543		667,873
Changes in deferred taxes charged directly to equity		(83,436)		690,402
Changes in the fair value of on available-for-sale financial assets		(73,788)		2,267,501
Changes in gains (losses) on valuation of held-to-maturity financial assets		-		(72,581)
Changes in gains (losses) on valuation of derivatives financial instruments for hedge accounting		(62,142)		(159,439)
Changes in share of other comprehensive income of associates and joint ventures		(1,361)		(4,435)
Changes in other comprehensive income of separate accounts		3,560		66,696
Changes in gain on revaluation of property and equipment		2,962		3,605
Changes in remeasurements of net defined benefit liabilities		1,476		(2,661)
Loans and other receivables written off		69,773		61,124
Transfer from held-to-maturity financial assets to available-for-sale financial assets		-		37,917,956
Non-cash transactions related to sales of securities		(10,029)		10,494
Changes in right-of-use assets		59,499		133,240

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									
					Non-cash flow					
		Beginning balance		Cash flows from financing activities		Amortization		Translation of foreign operation and others		Ending balance
Borrowings and debentures	₩	555,982	₩	595	₩	82	₩	(4,102)	₩	552,557
Lease liabilities		64,083		(57,840)		1,580		73,211		81,034
Other financial liabilities		551,612		138,143		-		24,241		713,996
Lease deposit received		138,894		(989)		333		957		139,195

(in millions of Korean won)	2019				
			Non-cash flow		
	Beginning balance	Cash flows from financing activities	Amortization	Translation of foreign operation and others	Ending balance
Borrowings and debentures	₩ 690,317	₩ (135,100)	₩ (1,221)	₩ 1,986	₩ 555,982
Lease liabilities	-	(52,221)	1,739	114,566	64,083
Other financial liabilities	238,059	89,214	-	224,339	551,612
Lease deposit received	130,866	2,134	787	5,107	138,894

44. Unconsolidated Structured Entities

The Group is involved in structured entities through investments in structured finance and investment funds. The main features of the structured entities are as follows:

Unconsolidated structured entities, categorized as ‘structured finance’, include real estate project financing investment companies, infrastructure business corporations, and special purpose company for shipping (aircraft) finance. ‘Structured finance’ is mainly used to finance large scale risky businesses. Investments are made based on economic feasibility of the specific business or project rather than credibility of the party undertaking the project or physical collateral, and the investors take the profit generated in the course of the project. The Group provides funds to the structured entities for structured finance in the form of equity investments and others.

Unconsolidated structured entities, categorized as ‘investment fund’, include investment trust and private equity fund.

A trust is formed by contributions from various investors, operated by a manager engaged to the trust and distributed proceeds from sales of investments to the investors.

Investment trusts invest and manage funds in accordance with the trust agreement, and distribute the profits to the investors. Private equity funds raise investment funds in private offering to acquire equity securities for participation in management or improvement of financial structures and governance structures. The Group, an investor to the private equity fund, recognizes income from valuation of equity investments and dividend income in proportion to its share ratio. If the value of the private equity fund decreases, the Group will be exposed to the risk of principal losses.

The scale of unconsolidated structured entities, shares of the Group in the entities and the nature of the risk, as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020				
	Liquidation of asset	**Structured finance**	**Investment funds**	**Others**	**Total**
Total assets of unconsolidated structured entities	₩ 9,218,732	₩ 45,371,056	₩ 174,118,917	₩ 39,420,563	₩ 268,129,268
Assets recognized on involving in unconsolidated structured entities					
Cash and cash equivalents	-	-	-	22,609	22,609
Financial assets at fair value through profit or loss	-	-	4,175,852	1,596,954	5,772,806
Available-for-sale securities	3,037,336	140,309	7,419,978	477,741	11,075,364
Investments in associates	-	81,650	44,202	9,578	135,430
Loans	1,325,486	7,128,894	2,265,128	1,123,811	11,843,319
	₩ 4,362,822	₩ 7,350,853	₩ 13,905,160	₩ 3,230,693	₩ 28,849,528

(in millions of Korean won)	2019				
	Liquidation of asset	**Structured finance**	**Investment funds**	**Others**	**Total**
Total assets of unconsolidated structured entities	₩ 8,405,735	₩ 43,766,724	₩ 1,039,184,765	₩ 32,752,146	₩ 1,124,109,370
Assets recognized on involving in unconsolidated structured entities					
Financial assets at fair value through profit or loss	-	-	476,025	310,188	786,213
Available-for-sale securities	2,963,305	720,324	7,164,970	353,497	11,202,096
Investments in associates	-	90,757	29,632	-	120,389
Loans	900,972	5,482,409	3,357,571	1,265,875	11,006,827
	₩ 3,864,277	₩ 6,293,490	₩ 11,028,198	₩ 1,929,560	₩ 23,115,525

Details of loan agreements and investments of assets recognized on involving in above unconsolidated structured entities are disclosed in Note 42.

45. Segment Information

Operating segments of the Group and subsidiaries are composed of financial segment and non-financial segment. Financial segment operates insurance and asset management, and non-financial segment operates real estate management, insurance-related service and insurance agent and brokerage.

Segment information for the years ended December 31, 2020 and 2019, is as follows:

(in millions of Korean won)	2020			
	Financial	**Non-financial**	**Adjustment [1]**	**Total**
Operating income	₩ 26,339,200	₩ 196,034	₩ (312,181)	₩ 26,223,053
Operating expenses	25,942,769	201,396	(297,855)	25,846,310
Operating profit (loss)	396,431	(5,362)	(14,326)	376,743
Non-operating income	36,049	160	4,657	40,866
Non-operating expenses	113,756	406	(4,516)	109,646
Profit before income tax	318,724	(5,608)	(5,153)	307,963
Income tax expenses (benefits)	66,737	1,265	(1,250)	66,752
Profit for the year	₩ 251,987	₩ (6,873)	₩ (3,903)	₩ 241,211

(in millions of Korean won)	2019			
	Financial	**Non-financial**	**Adjustment [1]**	**Total**
Operating income	₩ 25,112,627	₩ 195,919	₩ (330,054)	₩ 24,978,492
Operating expenses	25,065,071	194,042	(330,021)	24,929,092
Operating profit	47,556	1,877	(33)	49,400
Non-operating income	55,719	115	5,987	61,821
Non-operating expenses	78,173	162	(1,994)	76,341
Profit before income tax	25,102	1,830	7,948	34,880
Income tax expenses (benefits)	(21,733)	1,056	(3,110)	(23,787)
Profit for the year	₩ 46,835	₩ 774	₩ 11,058	₩ 58,667

[1] Consolidated adjustments include elimination of internal transactions and unrealized gain or loss, the amount of offsetting investment capital to subsidiaries and others of each reportable segment.

Segment assets and liabilities as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020			
	Financial	**Non-financial**	**Adjustment [1]**	**Total**
Assets				
Cash and cash equivalents	₩ 1,021,947	₩ 31,813	₩ (1,829)	₩ 1,051,931
Deposits	443,892	68,003	(5,565)	506,330
Securities	80,601,326	227	-	80,601,553
Investments in associates and joint ventures	257,086	-	-	257,086
Loans	29,554,746	487	41,034	29,596,267
Others	10,657,325	42,115	740,036	11,439,476
Separate account assets	25,322,141	-	-	25,322,141
	₩ 147,858,463	₩ 142,645	₩ 773,676	₩ 148,774,784
Liabilities				
Insurance contract liabilities	₩ 103,899,221	₩ -	₩ -	₩ 103,899,221
Policyholders' equity adjustment	1,181,230	-	27,072	1,208,302
Others	4,343,617	44,007	(272,043)	4,115,581
Separate account liabilities	25,761,641	-	(154,084)	25,607,557
	₩ 135,185,709	₩ 44,007	₩ (399,055)	₩ 134,830,661

(in millions of Korean won)	2019			
	Financial	**Non-financial**	**Adjustment [1]**	**Total**
Assets				
Cash and cash equivalents	₩ 945,084	₩ 6,778	₩ (1,158)	₩ 950,704
Deposits	960,536	64,203	(5,049)	1,019,690
Securities	77,782,863	10,334	-	77,793,197
Investments in associates and joint ventures	230,823	-	-	230,828
Loans	28,758,723	560	53,513	28,812,796
Others	10,161,635	34,651	718,506	10,914,792
Separate account assets	22,128,080	-	-	22,128,080
	₩ 140,967,744	₩ 116,526	₩ 765,812	₩ 141,850,087
Liabilities				
Insurance contract liabilities	₩ 99,268,148	₩ -	₩ -	₩ 99,268,148
Policyholders' equity adjustment	1,177,466	-	29,293	1,206,759
Others	4,512,128	38,885	4,621	4,555,634
Separate account liabilities	22,993,189	-	(166,918)	22,826,271
	₩ 127,950,931	₩ 38,885	₩ (133,004)	₩ 127,856,812

[1] Consolidated adjustments include elimination of internal transactions and unrealized gain or loss, the amount of offsetting investment capital to subsidiaries and others of each reportable segment.

Information about geographical area

The Group does not provide information about geographical area, because majority of the revenues from external customers and majority of the assets such as property and equipment, and investment properties in Korea, the head office country.

The Group does not have any single external customer who contributes more than 10% of the Group's revenue for the year ended December 31, 2020.

46. Risk Management

(1) Risk management policy

1) Summary of the Group

The Group does its best to make stable growth and profit for shareholders and policyholders as managing insurance risk, interest rate risk, credit risk, market risk, liquidity risk and operation risk in accordance with its principle of risk management.

2) Objectives of risk management

The Group's objectives of the risk management are to maximize its value and sustain its stable growth by preventing, evaluating and managing uncertainty and possibility of loss.

3) Risk management strategy

In the short term, the Group establishes and manages maximum permissible limit to maintain entire risk level below within a certain level of available capital. In addition, the Group operates risk management process for investment activity and insurance product development.

In the middle and long term, the Group seeks maximizing its value and profit-oriented business strategy, which reflects asset and liability management ("ALM") investment strategy (the characteristics of insurance asset management strategy) in its management plan and asset management plan. Also, risk management organization and management's reporting system maintain independence and principle of checks and balances.

4) Structure and function of risk management organization

The Group has risk management committee, risk management action officers committee for both insurance division and investment division and risk management team. The Group operates Asset management committee, Quoted interest rate committee, Product development committee, Operating expense management committee, Reinsurance management committee and variable insurance guarantee risk management committee with regard to work site operations.

A) Risk management committee

Risk management committee is composed of more than three directors who are elected by the board of directors. Risk management committee establishes standards and measures of risk management, approves the permissible risk limit and others.

B) Risk management action officers committee

Risk management action officers committee is composed of members who are managers of each risk management department. The committee performs checking running state of the committee's decision, deliberation on detailed regulations for risk management, matters delegated by Risk management committee and others.

Categories and function of subcommittees:

Name of sub-committee	Major function
Asset management committee	Deliberation of quarterly asset management strategy and target portfolio, transaction of investment and loan, choice of asset management companies and others
Quoted interest rate committee	Deliberation of quoted interest rate
Product development committee	Deliberation of development and sale of insurance product and development of other product
Operating expense management committee	Discussion between divisions for operating expense and management of operating expense
Reinsurance management committee	Management of reinsurance ceded and assumed, selection of reinsurer, analysis for reinsurance transaction and others
Variable insurance guarantee risk management committee	Deliberation of management instruction, hedging strategy of guarantee risk of variable insurance and others and report on results of hedging

5) Internal capital adequacy assessment and management process

The Group complies with the Risk-based capital (RBC) ratio required by the Financial Supervisory Service. The purpose of RBC ratio system is to reserve stockholders' equity enough to cover the unforeseen losses of an insurance company. This is for the insurance company to maintain its ability to pay to the customers.

Risk-based capital (RBC) ratio is the total available capital of the Group divided by the Group's required capital (standard solvency margin amount). Available capital consists of share capital, reserves, and retained earnings. Required capital is calculated based on the diversification of insurance, interest rate, credit, market and operation risks.

Financial Supervisory Service requires RBC ratio of over 100%. When RBC ratio is below 100%, worsening of deficiency is prevented by timely corrections on each RBC ratio. The Group is in compliance with the RBC ratio regulated by the supervisory office as at December 31, 2020.

The purpose of RBC ratio system is to reserve stockholders' equity enough to cover the unforeseen losses of an insurance company. This is for the insurance company to maintain its ability to pay to the customers.

Risk-based capital (RBC) ratio	Complementary Measures
Recommend business improvement 50% - 100%	Recommend increase / decrease of equity capital, restrict any new business, and others
Demand business improvement 0% - 50%	Demand change of management members, suspend of partial operations, and others
Recommend business improvement Below 0%	Cancellation of share, operation transfer, merger, contract transfer and others

The Group divides risk into insurance, interest rate, credit, market and operation risk for the calculation of risk-based capital. The Group takes RBC influence into consideration for portfolio strategy. The Group measures the level of internal risk using internal risk model for insurance, interest rate, credit and market risk.

(2) Insurance risk management

1) Concept

Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the issuer. It is composed of insurance value risk and reserve risk. Insurance value risk is the risk of loss due to difference between premium which is received from policyholders and actual claims paid.Reserve risk is the risk of loss due to difference between reserve for outstanding claims and actual claims paid in the future. Reserve risk is generally calculated on non-life insurance contracts of non-life insurance companies. The Group measures and manages insurance price risk because life insurance claim payment is mainly in a fixed amount with less volatility in policy reserve and shorter waiting period before payment.

2) Status of insurance risk exposure

Insurance risk is the possibility of the actual loss between the premium received from the policyholder and the insurance pay. Exposures by RBC standards as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020	2019
Life insurance		
Death	₩ 628,235	₩ 638,212
Disability	50,983	51,486
Hospitalization	339,579	339,733
Operation/diagnosis	840,593	803,411
Medical expense	273,920	250,011
Other life insurance	88,022	87,013
	₩ 2,221,332	₩ 2,169,865

(in millions of Korean won)		2020		2019
Non-life insurance				
General	₩	218,381	₩	235,284
Long-term		1,053,925		821,904
Automobile		642,161		575,802
	₩	1,914,466	₩	1,632,990

3) Status of reserve risk exposure

Exposures by RBC standards as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020		2019
General	₩	150,455	₩	124,509
Automobile		162,264		151,680
	₩	312,719	₩	276,190

4) Progress of insurance claims paid

The Group's development of claim paid for general insurance as at December 31, 2020, is as follows:

(in millions of Korean won)		1 years		2 years		3 years		4 years		5 years
Accumulated insurance claim paid										
FYD-4	₩	70,287	₩	119,576	₩	131,242	₩	136,692	₩	138,879
FYD-3		89,455		143,751		157,028		164,655		-
FYD-2		100,286		164,270		175,916		-		-
FYD-1		98,947		155,815		-		-		-
FYD		86,418		-		-		-		-
Estimated insurance claim paid										
FYD-4		126,018		141,160		142,007		142,877		142,923
FYD-3		144,158		169,958		171,791		172,742		-
FYD-2		162,279		189,296		187,407		-		-
FYD-1		158,401		181,474		-		-		-
FYD		146,056		-		-		-		-
Differences		59,638		25,659		11,491		8,087		4,044

The Group's development of claim paid for automobile insurance as at December 31, 2020, is as follows:

(in millions of Korean won)	**1 years**	**2 years**	**3 years**	**4 years**	**5 years**
Accumulated insurance claim paid					
FYD-4	₩ 423,402	₩ 486,182	₩ 496,931	₩ 502,134	₩ 505,070
FYD-3	458,809	538,228	551,330	557,970	-
FYD-2	514,378	603,964	619,847	-	-
FYD-1	542,137	644,745	-	-	-
FYD	478,985	-	-	-	-
Estimated insurance claim paid					
FYD-4	498,697	503,673	505,654	508,307	509,435
FYD-3	542,586	554,560	561,822	564,876	-
FYD-2	599,717	623,589	633,192	-	-
FYD-1	641,678	667,013	-	-	-
FYD	559,927	-	-	-	-
Differences	80,942	22,269	13,345	6,906	4,365

The Group's development of claim paid for long-term insurance as at December 31, 2020, is as follows:

(in millions of Korean won)	**1 years**	**2 years**	**3 years**	**4 years**	**5 years**
Accumulated insurance claim paid					
FYD-4	₩ 804,759	₩ 1,072,272	₩ 1,101,884	₩ 1,112,019	₩ 1,114,224
FYD-3	832,840	1,134,655	1,168,904	1,180,736	-
FYD-2	953,368	1,321,440	1,357,991	-	-
FYD-1	1,163,594	1,560,785	-	-	-
FYD	1,244,068	-	-	-	-
Estimated insurance claim paid					
FYD-4	844,808	1,079,516	1,105,565	1,113,403	1,115,738
FYD-3	870,597	1,142,333	1,173,859	1,183,866	-
FYD-2	998,566	1,329,072	1,364,076	-	-
FYD-1	1,209,179	1,570,590	-	-	-
FYD	1,301,503	-	-	-	-
Differences	57,435	9,805	6,085	3,131	1,514

5) Measurement method

Both standard measurement method and internal model are used to measure the insurance risk. Standard measurement method (Article 7-2 of the Supervisory Regulation on Insurance Industry) means calculation of insurance risk by risk-based capital (RBC) standard provided from Korean Financial Services Commission (FSC). Reserve risk is excluded from the measure because it is calculated on non-life insurance contracts by Article 1-2 of the Supervisory Regulation on Insurance Industry. As a result, the Group reflects the calculation results of risks of Hanwha General Insurance, a subsidiary.

The amount of insurance risk calculated by internal model is calculated by estimating risky insurance premium for the next 10 years, which is applied by experimental statics to contract held measurement insurance risk, which is the difference between maximum probability and average level of insurance claims paid and VaR, which is applied in experimental scenario.

6) Management method

The Group operates ALM system and insurance risk measurement system to measure amount of insurance risk. The amount of insurance risk, which is calculated quarterly is reported to risk management committee as a risk analysis report.

7) Reinsurance policy

The Group manages reinsurance for improving ability to pay claims as concerned risk exposure level and effective diversification of risks.

The Group's concentration level to top five reinsurers as at December 31, 2020 and 2019, is as follows.

(in millions of Korean won)	2020				2019			
	More than AA-	A+ – A-	Below BBB+	Others	More than AA-	A+ – A-	Below BBB+	Others
Premium for reinsurance ceded	₩ 1,225,776	₩ -	₩ -	₩ -	₩ 1,429,396	₩ -	₩ -	₩ 64,281

The Group's premium for reinsurance ceded for reinsurer category as at December 31, 2020 and 2019, is as follows.

(in millions of Korean won)	2020				2019			
	More than AA-	A+ – A-	Below BBB+	Others	More than AA-	A+ – A-	Below BBB+	Others
Premium for reinsurance ceded	₩ 1,319,530	₩ 287	₩ 898	₩ 9,577	₩ 1,504,732	₩ 66	₩ -	₩ 74,282

8) The amount of guarantee risk to variable insurance:

The amount of guarantee risk to variable insurance of the Group as at December 31, 2020 and 2019, is as follows.

(in millions of Korean won)	2020			
	Premium income	**Policyholders' reserve**	**Reserve for guaranteed benefit**	**Amount of risk to minimum guaranteed benefit**
Variable whole life insurance	₩ 81,836	₩ 483,974	₩ 222,096	₩ 35,092
Variable annuity life insurance	791,417	7,899,494	37,585	98,077
Variable universal indemnity life insurance	730,027	2,775,035	339,535	226,525
Variable universal saving life insurance	117,668	1,225,186	1,611	1,679
Others	628,372	4,864,025	1,057,057	271,156
	₩ 2,349,321	₩ 17,247,714	₩ 1,657,884	₩ 632,528

(in millions of Korean won)	2019			
	Premium income	**Policyholders' reserve**	**Reserve for guaranteed benefit**	**Amount of risk to minimum guaranteed benefit**
Variable whole life insurance	₩ 93,721	₩ 433,896	₩ 154,320	₩ 30,141
Variable annuity life insurance	1,022,742	7,834,459	100,700	136,333
Variable universal indemnity life insurance	803,568	2,476,681	276,422	219,725
Variable universal saving life insurance	138,198	1,230,953	628	1,945
Others	678,232	4,489,424	887,012	246,644
	₩ 2,736,461	₩ 16,465,414	₩ 1,419,083	₩ 634,789

9) The analysis of insurance contract liability in relation to its remaining maturity is as follows:

(in millions of Korean won)	2020				
	Less than 1 year	**Between 1~5 years**	**Between 5~10 years**	**10 years and later**	**Total**
Premium reserve [1]	₩ 1,454,919	₩ 10,737,403	₩ 5,551,766	₩ 76,804,733	₩ 94,548,820

[1] Premium reserve is calculated based on surrender value of the Parent Company and its domestic subsidiaries.

(in millions of Korean won)	2019				
	Less than 1 year	**Between 1~5 years**	**Between 5~10 years**	**10 years and later**	**Total**
Premium reserve [1]	₩ 1,148,579	₩ 9,140,273	₩ 7,272,113	₩ 73,004,126	₩ 90,565,091

[1] Premium reserve is calculated based on surrender value of the Parent Company and its domestic subsidiaries.

(3) Interest rate risk management

1) Concept

Interest rate risk is risk of loss due to fluctuation of interest rate in the future market and difference between maturity structure of asset and liability.

2) Measurement method

Both standard measurement method and internal model are used to measure the interest rate risk. Under standard measurement method (Article 7-2 of the Supervisory Regulation on Insurance Industry), interest risk is measured by RBC standard provided from KFSC.

Internal model is subject to assets and liabilities of general accounts, pension savings and unit linked insurance. Interest rate risk is calculated by applying a shock scenario to the interest rate term structure, re-evaluating the value of assets and liabilities, and then measuring the amount of decrease in net asset value. It reflects the requirements of the new system (K-ICS).

3) Management method

A) The Company sets an permissible limit for the amount of interest rate risk, calculates it on a quarterly basis, and reports the monitoring results to the Risk Management Committee for management.

B) The Group establishes duration gap limit of assets/liabilities and does its best to expand safe assets such as long-term treasury bonds and others in the middle and long term and reduce the mismatch of duration of assets and liabilities by managing sales ratio of floating-rate type product.

C) The Group set portfolios for medium-and long-term goal through ALM investment strategy reflected cash flow of insurance liabilities, and set interest rate guidelines for insurance products using market interest rates.

D) ALM investment strategy is determined by risk management committee, and guidelines of interest rates for public announcement and application (includes guaranteed minimum interest rate of floating-rate type products) are determined by the person with authority as per decision-making regulations after being examined by risk management council.

E) According to the guidelines, product development committee determines interest rates for application (includes guaranteed minimum interest rate of floating-rate type products), and standard interest rates for public announcement are determined by the person with authority as per decision-making regulations after being examined by quoted interest rate committee.

4) Status of floating-rate type liabilities for minimum guaranteed interest rate

Exposure of floating-rate type liabilities for minimum guaranteed interest rate level by RBC standard as at December 31, 2020 and 2019, is as follows:

(in millions of Korean won)	2020					
	Less than 0%[1]	**0%–2%**	**2%–3%**	**3%–4%**	**More than 4%**	**Total**
Floating rate-type liabilities[2]	₩ 8,400,482	₩ 24,669,305	₩ 7,792,898	₩ 10,674,367	₩ 2,825,063	₩ 54,362,115

(in millions of Korean won)	2019					
	Less than 0%[1]	**0%–2%**	**2%–3%**	**3%–4%**	**More than 4%**	**Total**
Floating rate-type liabilities[2]	₩ 7,596,736	₩ 21,186,100	₩ 9,694,215	₩ 10,570,962	₩ 2,753,246	₩ 51,801,259

[1] For liability that does not have minimum guarantee option, it is presented as "Less than 0%."
[2] For liability that has fixed-rate type and floating-rate type, it is classified as the type at the time of closing date of the fiscal year.

(4) Credit risk management

1) Concept

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

2) Measurement method

Both standard measurement method and internal model are used to measure the credit risk. Standard measurement method (Article 7-2 of the Supervisory Regulation on Insurance Industry) means calculation of credit risk by RBC standard provided from Korean FSC. If the Parent Company and subsidiaries use internal model, they calculate portfolio credit risk by Credit Manager (Credit Metrics measurement method), which is credit risk measurement engine provided by Morgan Stanley Capital International Inc. ("MSCI"). Approximately 20 global companies such as JP Morgan, Moody's, S&P, KMV, Royal Bank of Canada and 250 other companies all over the world use Credit Manager to calculate their risk.

3) Management method

A) Management by permissible limit

The Group calculates VaR on a monthly basis, which is maximum unsuspected loss (99% confidence level) to investment portfolio due to deterioration of credit rating or bankruptcy or of lender and investment instrument. The Group manages to keep VaR less than available capital as providing permissible limit to the VaR.

B) Management by individual evaluation to lender and investment instrument

When operating asset, the Group evaluate individual lender and investment instrument at asset RM division. As a result of the evaluation, the Group invests in lender and investment instrument.

C) Management by diversified investment and operating limit

The Group manages limits for industry, group, lender and product to prevent concentration risk and for low grade assets which have high risk.

D) Overlapping management to high-risk asset

When the Group invests in high-risk asset (derivative and alternative investment), the risk management team analyzes credit risk and the RM division analyzes capability to repay the principal and pay interest.

4) Maximum exposure in credit risk

The maximum exposure to credit risk as at December 31, 2020 and 2019, is as follows:

(in millions of Korean won)		**2020**		**2019**
Cash and deposits	₩	1,047,723	₩	948,562
Deposits		506,330		1,019,690
Financial assets at fair value through profit or loss		2,523,737		1,650,522
Available-for-sale financial assets		62,665,514		61,177,097
Loans		29,596,267		28,812,796
Others financial assets		1,536,070		1,761,323
Derivatives assets		1,050,529		297,987
	₩	98,926,170	₩	95,667,977
Loan commitments	₩	3,654,876	₩	3,961,792

5) Status of exposure for credit rating

Status of exposure for credit rating of bonds and loans held by the Group as at December 31, 2020 and 2019, is as follows:

A) Bonds

(in millions of Korean won)	2020						
	Risk free	AAA	AA+–AA-	A+–BBB-	Below BBB-	Others	Total
Government and public bonds	₩ 21,473,015	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 21,473,015
Special bonds	5,867,713	8,536,482	143,032	-	-	29,744	14,576,971
Financial bonds	-	49,385	646,663	52,982	-	112,017	861,047
Corporate bonds	59,315	3,390,107	1,441,810	20,138	-	172,032	5,083,403
Overseas securities	6,350,918	8,903,343	4,868,571	578,456	-	776,458	21,477,746
Other securities	1,717,069	-	-	-	-	-	1,717,069
	₩ 35,468,030	₩ 20,879,317	₩ 7,100,076	₩ 651,576	₩ -	₩ 1,090,251	₩ 65,189,251

(in millions of Korean won)	2019						
	Risk free	AAA	AA+–AA-	A+–BBB-	Below BBB-	Others	Total
Government and public bonds	₩ 15,127,750	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 15,127,750
Special bonds	5,751,061	8,402,899	82,645	-	-	29,674	14,266,279
Financial bonds	-	68,821	591,767	53,546	-	92,082	806,216
Corporate bonds	-	2,663,970	1,496,872	30,243	-	171,758	4,362,843
Overseas securities	8,478,776	11,733,050	5,640,246	803,999	-	785,138	27,441,209
Other securities	823,322	-	-	-	-	-	823,322
	₩ 30,180,909	₩ 22,868,740	₩ 7,811,530	₩ 887,788	₩ -	₩ 1,078,652	₩ 62,827,619

B) Loans[1]

(in millions of Korean won)	2020							
	Risk free	**AAA**	**AA+–AA-**	**A+–BBB-**	**Below BBB-**	**No-rating**	**Other**	**Total**
Call loans, unsecured loans, CP, loans secured by third-party guarantee	₩ 2,028,093	₩ 76,345	₩ 405,464	₩ 74,678	₩ -	₩ 4,709,939	₩ 1,975,966	₩ 9,270,485
Loans secured by real estate	-	355,001	-	-	-	2,960,462	6,371,540	9,687,003
Policy loans	-	-	-	-	-	-	7,786,369	7,786,369
Other loans	2,453,759	100,000	117,042	42,462	29,319	128,919	84,117	2,955,617
	₩ 4,481,852	₩ 531,346	₩ 522,506	₩ 117,140	₩ 29,319	₩ 7,799,320	₩ 16,217,992	₩ 29,699,474

(in millions of Korean won)	2019							
	Risk free	**AAA**	**AA+–AA-**	**A+–BBB-**	**Below BBB-**	**No-rating**	**Other**	**Total**
Call loans, unsecured loans, CP, loans secured by third-party guarantee	₩ 2,055,147	₩ 174,700	₩ 421,388	₩ 78,907	₩ -	₩ 4,971,443	₩ 2,088,794	₩ 9,790,380
Loans secured by real estate	-	391,231	40,000	-	-	2,485,547	5,497,203	8,413,981
Policy loans	-	-	-	-	-	-	7,767,640	7,767,640
Other loans	2,444,194	100,000	1,044	62,734	-	100,058	167,644	2,875,675
	₩ 4,499,341	₩ 665,931	₩ 462,432	₩ 141,642	₩ -	₩ 7,557,048	₩ 15,521,282	₩ 28,847,676

[1] The principal amount is presented.

6) Concentration level for industry

The concentration level by industries of bonds and loans as at December 31, 2020 and 2019, is as follows:

(in millions of Korean won)	2020						
	Government, public	**Finance, insurance**	**Electronic, gas, water supply and etc.**	**Construction**	**Real estate, lease**	**Others**	**Total**
Bonds	₩ 28,156,493	₩ 14,293,552	₩ 5,246,882	₩ 2,862,102	₩ 1,710,970	₩ 12,919,252	₩ 65,189,251
Loans[1]	-	3,971,715	1,488,502	655,800	3,168,139	20,415,318	29,699,474
	₩ 28,156,493	₩ 18,265,267	₩ 6,735,384	₩ 3,517,901	₩ 4,879,109	₩ 33,334,570	₩ 94,888,725

[1] The principal amount is presented.

(in millions of Korean won)	2019						
	Government, public	**Finance, insurance**	**Electronic, gas, water supply and etc.**	**Construction**	**Real estate, lease**	**Others**	**Total**
Bonds	₩ 23,938,166	₩ 14,202,030	₩ 5,421,164	₩ 2,499,751	₩ 1,655,448	₩ 15,111,060	₩ 62,827,619
Loans[1]	-	3,123,610	1,275,220	-	3,992,382	20,456,464	28,847,676
	₩ 23,938,166	₩ 17,325,640	₩ 6,696,384	₩ 2,499,751	₩ 5,647,830	₩ 35,567,524	₩ 91,675,295

[1] The principal amount is presented.

(5) Market risk management

1) Concept

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

2) Measurement method

Both standard measurement method and internal model are used to measure the market risk. Under standard measurement method (Article 7-2 of the Supervisory Regulation on Insurance Industry), both general market risk and to variable annuity insurance guarantee risk are measured using risk index by RBC standard. If the Group uses internal model, it calculates portfolio credit risk by Credit Manager (Credit Metrics measurement method), which is credit risk measurement engine provided by MSCI.

3) Management method

A) Management by permissible limit of VaR

The Group calculates VaR daily, which is maximum unsuspected loss (99% confidence level) to investment portfolio due to fluctuation of stock prices, interest rate and exchange rate. The Group manages to keep VaR less than available capital as providing permissible limit to the VaR.

B) Management by loss limit

The Group establishes loss limit for trading assets and high-risk assets. If loss from trading assets and high- risk assets is exceeding the limit, the Group sells them to prevent additional loss. The Group manages to keep loss from trading assets and high-risk assets less than loss limit.

C) Management by operating limit

The Group establishes operating limit for investment category to prevent from excessive investment on specific investment category.

4) Status of exposure for market risk category

Market risk of RBC standard is classified as a risk factor for normal market risk target exposure and warranty risk target exposure of variable annuity life insurance. Normal market risk target exposure includes assets such as stocks, bonds and beneficiary certificates in trading securities, affected on unfavorable fluctuations by interest rates, stock price and exchange. Warranty risk target exposure of variable annuity life insurance targets Policyholders' reserve.

5) Sensitive analysis to risk factors

The Group operates daily, weekly, monthly and quarterly sensitive analysis for 50 scenarios, which are historical scenarios, user-designated scenarios, etc. The result of sensitive analysis which was performed based on exchange rate, interest rate, and stock prices to analyze the effect of the scenario test is as follows:

(in millions of Korean won)		2020	
	Variable factors	**Effect on profit (loss)[2]**	**Effect on equity[2]**
Exchange rate[1]	₩ 100 increase against won-dollar exchange rate	₩ 230,280	₩ 33,999
	₩ 100 decrease against won-dollar exchange rate	(230,280)	(33,999)
Interest rate	100 bp increase	(3,931)	(4,478,290)
	100 bp decrease	3,978	5,325,731
Stock index	10% increase	50	53,342
	10% decrease	(50)	(53,342)

[1] Sensitivity to fluctuation of exchange rate includes effect on profit and equity by fluctuation of assets and liabilities denominated foreign currency and derivatives.
[2] The Group separately manages the owned asset that financial assets at fair value through profit or loss and derivatives held for trading are managed at income line, and available-for-sale financial asset is managed at equity line.

(in millions of Korean won)	**Variable factors**	**2019** Effect on profit (loss)[2]	**2019** Effect on equity[2]
Exchange rate[1]	₩ 100 increase against won-dollar exchange rate	₩ 148,419	₩ 10,745
	₩ 100 decrease against won-dollar exchange rate	(148,419)	(10,745)
Interest rate	100 bp increase	(2,899)	(2,911,990)
	100 bp decrease	2,933	3,481,471
Stock index	10% increase	58	120,410
	10% decrease	(58)	(120,410)

[1] Sensitivity to fluctuation of exchange rate includes effect on profit and equity by fluctuation of assets and liabilities denominated foreign currency and derivatives.
[2] The Group separately manages the owned asset that financial assets at fair value through profit or loss and derivatives held for trading are managed at income line, and available-for-sale financial asset is managed at equity line.

(6) Liquidity risk management

1) Concept

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

2) Management method

The Group manages liquidity concerning monthly cash flow of insurance. In addition, the Group does its best to estimate and manage daily cash flow.

3) Details of the remaining maturity of liabilities as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020				
	Less than 1 year	**Between 1-5 years**	**Between 5-10 years**	**Over 10 years**	**Total**
Other financial liabilities	₩ 1,442,044	₩ 766,399	₩ 397,659	₩ -	₩ 2,606,102
Derivatives liabilities	50,507	134,173	-	-	184,680
	₩ 1,492,551	₩ 900,572	₩ 397,659	₩ -	₩ 2,790,782
Loan commitments	₩ 3,654,876	₩ -	₩ -	₩ -	₩ 3,654,876
Investment commitments	3,596,283	-	-	-	3,596,283

(in millions of Korean won)	2019				
	Less than 1 year	**Between 1-5 years**	**Between 5-10 years**	**Over 10 years**	**Total**
Other financial liabilities	₩ 1,990,278	₩ 295,675	₩ 420,237	₩ -	₩ 2,706,191
Derivatives liabilities	352,086	253,502	284	1,691	607,563
	₩ 2,342,364	₩ 549,178	₩ 420,521	₩ 1,691	₩ 3,313,754
Loan commitments	₩ 3,961,792	₩ -	₩ -	₩ -	₩ 3,961,792
Investment commitments	3,223,266	-	-	-	3,223,266

(7) Operating risk management

1) Concept

Operating risk is the risk of financial risk and non-financial risk due to inappropriate internal processes, manpower, external events, reputation and regulations. Operating risk management improves safety and soundness of the Group by identifying weakness of internal process and systematic complement.

2) Management method

The Group accumulates data by event types (internal and external fraud, safety at the place of business, business practice for customers and products, loss on material resources, paralysis of business, process management, etc.), causes and task types. In addition, the Group is monitoring the KPI-like unqualified contract index, incomplete selling rate, number of internal complaints, etc., and reporting to risk management committee on a quarterly basis.

47. Events after the Reporting Period

At the Board of Directors on December 18, 2020, the Parent Company decided to split off the solicitation for insurance and support business division under personal business division to enhance management efficiency and maximize corporate value through intensive investment in core business and independent decision-making. The split-off date is April 1, 2021, and the approval of the split-off plan will be made at the general shareholders' meeting on March 15, 2021. A newly established company will be established through the split-off and total number of shares of the newly established company will be allocated to the existing company.

Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Hanwha Life Insurance Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Hanwha Life Insurance Co., Ltd. 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, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 its consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Premium Reserve

Why it is determined to be a Key Audit Matter

As explained in Note 2, the Group calculates premium reserves in accordance with the premium and liability reserve calculation manual under the regulation on Supervision of Insurance Business for settling future insurance claims arisen from the existing contracts at the end of reporting period. Estimation of premium reserve requires assumptions such as interest rate and risk rate defined under Article 6-12 of the regulation on Supervision of the Insurance Business.

Premium reserve is calculated by level premium method, in which the premiums are guaranteed to remain the same throughout the contract. It reserves excess premium when level premium exceeds risk premium in the beginning of the contract to cover the premium shortage at the end of the contract when risk premium exceeds level premium.

Premium reserve recognized in the consolidated statement of financial position is ₩ 93,148,148 million as at the end of reporting period.

The calculation of premium reserve might cause a misstatement due to involvement of various types of contract information and complex models, which could have a material impact on profit for the year and net assets of the Group.

How our audit addressed the Key Audit Matter

We obtained an understanding and assessed the management's procedures and controls to calculate premium reserve. In addition, we obtained an understanding and assessed the Group's policy to calculate premium reserve is in compliance with the Regulation on Insurance Supervision and Detailed Enforcement Regulation on Insurance Supervision. We also reconciled the premium reserve amount on the final premium reserve closing data with the one on the financial closing data.

We tested completeness of insurance contracts subject to premium reserve by examining the contracts details in insurance contract system agree to those in premium reserve calculation system.

We evaluated reliability and accuracy of underlying data of premium reserve calculation and it includes obtaining detailed calculation sheet of premium reserve and examining, on a sample basis, input data required by the Group's policy are completely and appropriately included in the details of calculation.

We obtained an understanding of reserve calculation logic and tested mathematical accuracy of premium reserve valuation through independent recalculation.

We verified accuracy of estimated interest rate and crediting rate of premium reserve, on a sample basis, by agreeing the support documents and disclosed information to inputs configured in premium reserve calculation system.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eu-Gene Lee, Certified Public Accountant.

/s/ Samil PricewaterhouseCoopers
Seoul, Korea
March 12, 2020

This report is effective as of March 12, 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.

Hanwha Life Insurance Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2019 and 2018

(in millions of Korean won)	Notes		2019		2018
Assets					
Cash and cash equivalents	4,5,6	₩	950,704	₩	1,838,710
Deposits	4,5,6		1,019,690		792,175
Financial assets at fair value through profit or loss	4,5,7,45		7,165,143		5,629,165
Available-for-sale financial assets	4,5,7,45		70,628,054		28,214,914
Held-to-maturity financial assets	4,5,7,45		-		36,741,795
Investments in associates and joint ventures	9		230,828		156,220
Loans	4,5,10,45		28,812,796		26,915,013
Property and equipment	12,13		1,855,045		1,803,098
Investment property	13		2,553,538		2,517,001
Intangible assets	13		1,162,552		1,216,375
Right-of-use assets	13,46		78,779		-
Derivative assets	4,5,11		297,987		377,183
Net defined benefit assets	20		-		13,679
Current tax assets			141,449		11,782
Deferred tax assets	38		15,338		14,782
Other financial assets	4,5,14		1,761,323		1,452,151
Other assets	15		3,048,781		2,927,736
Separate account assets	19		22,128,080		21,462,673
Total assets		₩	141,850,087	₩	132,084,451
Liabilities and Equity					
Liabilities					
Insurance contract liabilities	16,17	₩	99,268,148	₩	94,572,121
Policyholders' equity adjustment	18		1,206,759		538,885
Current tax liabilities			5,049		290,995
Deferred tax liabilities	38		1,066,200		380,408
Derivative liabilities	4,5,11		607,563		322,195
Net defined benefit liabilities	20		173,802		165,553
Provisions	21		16,473		15,367
Other financial liabilities	4,5,22		2,532,401		2,002,451
Other liabilities	23		154,147		121,297
Separate account liabilities	19		22,826,271		22,245,521
Total liabilities			127,856,812		120,654,794
Equity					
Equity attributable to owners of the Parent Company					
Share capital	24		4,342,650		4,342,650
Additional paid-in capital	24		(457,887)		(458,007)
Hybrid capital instruments	25		2,056,297		1,558,000
Other components of equity	26		2,820,597		878,706
Retained earnings	27		3,924,201		3,985,549
Non-controlling interests			1,307,416		1,122,759
Total equity			13,993,275		11,429,657
Total liabilities and equity		₩	141,850,087	₩	132,084,451

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

Hanwha Life Insurance Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2019 and 2018

(in millions of Korean won, except per share amount)	Notes		2019		2018
Operating revenues					
Insurance premium income	29	₩	15,588,095	₩	14,925,814
Reinsurance income	30		1,494,807		1,355,533
Interest income	28,40		2,988,083		3,046,240
Gain on compensation receivables	15		3,495		4,099
Gain on valuation and disposal of financial assets at fair value through profit or loss	28		150,995		56,846
Gain on valuation and disposal of available-for-sale financial assets	28		575,707		273,016
Gain on foreign currency transactions and translation	28		1,403,051		1,073,023
Gain on valuation and disposal of derivatives	11,28		750,582		463,802
Other income	31,40		837,311		927,725
Fees from separate accounts			987,929		1,116,411
Separate account revenue			198,438		188,038
			24,978,492		23,430,547
Operating expenses					
Change in reserves for insurance contracts	16		4,645,780		4,289,371
Insurance claims paid	32,40		11,879,743		11,191,171
Reinsurance expenses	30		1,584,249		1,422,447
Business expenses	33,40		1,985,279		1,885,458
Amortization of deferred policy acquisition costs	15		1,252,155		1,332,384
Property administration expenses	34,40		131,032		112,000
Claim handling expenses	35		116,232		107,936
Loss on valuation and disposal of financial assets at fair value through profit or loss	28		42,871		43,659
Loss on valuation and disposal of available-for-sale financial assets	28		370,392		155,188
Loss on valuation and disposal of loans and other receivables	28		128,076		28,559
Loss on foreign currency transactions and translation	28		366,549		234,494
Loss on valuation and disposal of derivatives	11,28		1,767,389		1,265,267
Other expenses	36		439,876		503,668
Fees for separate accounts			21,032		22,799
Separate account expenses			198,438		185,952
			24,929,092		22,780,352
Operating profit			49,400		650,195
Non-operating revenues	37		61,821		49,885
Non-operating expenses	37		76,341		63,666
Profit before income tax			34,879		636,414
Income tax expense (benefit)	38		(23,788)		189,890
Profit for the year		₩	58,667	₩	446,524

Hanwha Life Insurance Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2019 and 2018

(in millions of Korean won, except per share amount)	Notes		2019		2018
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss					
Gain on revaluation of property and equipment		₩	3,605	₩	9,625
Remeasurements of net defined benefit liabilities			(2,661)		(18,652)
Items that may be subsequently reclassified to profit or loss					
Changes in the fair value of available-for-sale financial assets			2,267,501		(350,883)
Changes in gains(losses) on valuation of held-to-maturity financial assets			(72,581)		11,927
Share of other comprehensive income of associates			(4,435)		3,189
Changes in fair value of derivatives instruments for hedge accounting			(159,439)		581
Other comprehensive income of separate accounts			66,696		17,484
Currency translation differences			45,407		6,490
Other comprehensive income for the year, net of tax			2,144,093		(320,240)
Total comprehensive income for the year		₩	2,202,760	₩	126,284
Profit is attributable to:					
Owners of the Parent Company		₩	100,421	₩	415,273
Non-controlling interests			(41,754)		31,251
Total comprehensive income for the year is attributable to:					
Owners of the Parent Company		₩	2,042,313	₩	65,253
Non-controlling interests			160,447		61,031
Earnings per share					
Basic and diluted earnings per share	39	₩	18	₩	473

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

Hanwha Life Insurance Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2019 and 2018

	Attributable to owners of the Parent Company							
(in millions of Korean won)	Share Capital	Additional Paid-in capital	Hybrid Capital Instruments	Other Components of Equity	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Balance at January 1, 2018	₩ 4,342,650	₩ (458,007)	₩ 497,930	₩ 1,239,339	₩ 3,729,643	₩ 9,351,556	₩ 886,546	₩ 10,238,103
Changes in accounting policy	-	-	-	-	(5,115)	(5,115)	-	(5,115)
Comprehensive income								
Profit for the year	-	-	-	-	415,273	415,273	31,251	446,524
Transfers from revaluation surplus	-	-	-	(11,452)	11,452	-	-	-
Gain on revaluation of property and equipment	-	-	-	9,625	-	9,625	-	9,625
Remeasurements of net defined benefit liabilities	-	-	-	(17,468)	(838)	(18,306)	(346)	(18,652)
Changes in the fair value of available-for-sale financial assets	-	-	-	(344,980)	-	(344,980)	(5,903)	(350,883)
Changes in gains(losses) on valuation of held-to-maturity financial assets	-	-	-	(23,634)	-	(23,634)	35,561	11,927
Share of other comprehensive income of associates	-	-	-	2,838	-	2,838	351	3,189
Changes in the fair value of derivatives instruments for hedge accounting	-	-	-	458	-	458	123	581
Other comprehensive income of separate accounts	-	-	-	17,474	-	17,474	10	17,484
Currency translation differences	-	-	-	6,506	-	6,506	(16)	6,490
Transactions with owners								
Dividends paid	-	-	-	-	(105,195)	(105,195)	(8,517)	(113,712)
Issuance of hybrid capital instruments	-	-	1,060,070	-	-	1,060,070	189,387	1,249,456
Dividends paid to holders of hybrid capital instruments	-	-	-	-	(59,672)	(59,672)	(6,113)	(65,785)
Changes in non-controlling interest	-	-	-	-	-	-	426	426
Balance at December 31, 2018	₩ 4,342,650	₩ (458,007)	₩ 1,558,000	₩ 878,706	₩ 3,985,549	₩ 10,306,898	₩ 1,122,759	₩ 11,429,657

Hanwha Life Insurance Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2019 and 2018

	Attributable to owners of the Parent Company							
(in millions of Korean won)	**Share Capital**	**Additional Paid-in capital**	**Hybrid Capital Instruments**	**Other Components of Equity**	**Retained Earnings**	**Total**	**Non-Controlling Interest**	**Total Equity**
Balance at January 1, 2019	₩ 4,342,650	₩ (458,007)	₩ 1,558,000	₩ 878,706	₩ 3,985,549	₩ 10,306,898	₩ 1,122,759	₩ 11,429,657
Comprehensive income								
Profit for the year	-	-	-	-	100,421	100,421	(41,754)	58,667
Gain on revaluation of property and equipment	-	-	-	3,605	-	3,605	-	3,605
Remeasurements of net defined benefit liabilities	-	-	-	900	-	900	(3,561)	(2,661)
Changes in the fair value of available-for-sale financial assets	-	-	-	2,066,964	-	2,066,964	200,537	2,267,501
Changes in gains(losses) on valuation of held-to-maturity financial assets	-	-	-	(83,049)	-	(83,049)	10,468	(72,581)
Share of other comprehensive income of associates	-	-	-	(4,082)	-	(4,082)	(353)	(4,435)
Changes in the fair value of derivatives instruments for hedge accounting	-	-	-	(154,505)	-	(154,505)	(4,934)	(159,439)
Other comprehensive income of separate accounts	-	-	-	66,696	-	66,696	-	66,696
Currency translation differences	-	-	-	45,363	-	45,363	44	45,407
Transactions with owners								
Dividends paid	-	-	-	-	(75,139)	(75,139)	(7,382)	(82,521)
Issuance of hybrid capital instruments	-	-	498,297	-	-	498,297	-	498,297
Dividends paid to holders of hybrid capital instruments	-	-	-	-	(86,630)	(86,630)	(13,207)	(99,837)
Changes in non-controlling interest	-	120	-	-	-	120	44,799	44,918
Balance at December 31, 2019	₩ 4,342,650	₩ (457,887)	₩ 2,056,297	₩ 2,820,597	₩ 3,924,201	₩ 12,685,859	₩ 1,307,416	₩ 13,993,275

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

Hanwha Life Insurance Co., Ltd. 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		₩	58,667	₩	446,524
Adjustments	42		2,625,094		2,498,595
Changes in operating assets and liabilities	42		(4,638,338)		(4,588,221)
Interest received			2,821,056		2,887,998
Interest paid			(29,404)		(18,988)
Dividends received			565,053		524,803
Income taxes paid			(394,632)		(107,836)
Net cash inflow from operating activities			1,007,494		1,642,876
Cash flows from investing activities					
Disposal of available-for-sale financial assets			11,090,958		9,859,716
Repayment of held-to-maturity financial assets			69,314		79,676
Settlement of derivative instruments for hedge accounting			(751,096)		391,852
Disposal of property and equipment and investment property			101,215		54,298
Disposal of intangible assets			96		1,575
Disposal of investments in associates			6,745		5,070
Dividends from investments in associates			9,634		10,093
Decrease in guarantee deposits provided			27,690		53,061
Cash flows from changes in scope of consolidation			12,411		-
Acquisition of available-for-sale financial assets			(11,717,711)		(9,316,560)
Acquisition of held-to-maturity financial assets			(696,902)		(2,711,767)
Acquisition of property and equipment and investment property			(101,738)		(167,297)
Acquisition of investments in associates			(100,759)		(17,671)
Acquisition of intangible assets			(51,572)		(30,002)
Increase in guarantee deposits provided			(11,295)		(52,027)
Increase in advance payments			(59,854)		-
Cash inflows from business transfer			-		7,826
Net cash outflow from investing activities			(2,172,864)		(1,832,157)
Cash flows from financing activities					
Increase in non-controlling interest			48,400		194,005
Decrease in non-controlling interest			(20,588)		(14,731)
Increase in leasehold deposit received			17,394		-
Decrease in leasehold deposit received			(15,259)		-
Issuance of hybrid capital instruments			498,297		1,060,070
Dividends paid to holders of hybrid capital instruments			(81,866)		(49,566)
Dividends paid			(75,139)		(105,195)
Repayment of borrowings			(135,100)		-
Proceeds from borrowings			-		348,854
Changes in other financial liabilities			89,214		-
Decrease in lease liabilities			(52,221)		-
Net cash inflow from financing activities			273,131		1,433,438
Net increase (decrease) in cash and cash equivalents			(892,238)		1,244,156
Cash and cash equivalents at the beginning of the year			1,838,710		582,203
Effects of exchange rate changes on cash and cash equivalents			4,233		12,351
Cash and cash equivalents at the end of the year		₩	950,704	₩	1,838,710

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

1. General Information

Hanwha Life Insurance Co., Ltd. (the "Company" or the "Parent Company"), and its subsidiaries (collectively referred to as the "Group"), have prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

The Parent Company was incorporated on September 9, 1946, under the laws of the Republic of Korea. The Parent Company was established as the country's first life insurance company and currently has seven regional headquarters, 61 regional offices and 517 branch offices for personal insurance and related reinsurance contracts as the main business purpose. The Parent Company was listed on the Korea Exchange in March 2010.

The Parent Company resolved to change its name at the general meeting of shareholders on June 29, 2012, and changed the name to Hanwha Life Insurance Co., Ltd. from Korea Life Insurance Co., Ltd. on October 9, 2012.

The insurance products available and discontinued as at December 31, 2019 are as follows:

(In number of insurance products)

Life insurance

	Insurance products		
Description	**Available**	**Discontinued**	**Total**
Annuity with tax benefits	6	63	69
Annuity	11	149	160
Other life insurance	-	15	15
Whole life, Term life insurance	68	387	455
Endowment insurance	7	101	108
Group insurance	6	33	39
	98	748	846

Non-life insurance

	Insurance products		
Description	**Available**	**Discontinued**	**Total**
General	345	-	345
Automobile	15	-	15
Long-term	40	872	912
Retirement pension	7	-	7
	407	872	1,279

Details of shareholders of the Parent Company as at December 31, 2019, are as follows:

Name of shareholder	Number of shares	Percentage of ownership (%)
Hanwha Engineering & Construction Corporation	217,919,239	25.09
Hanwha Corporation	157,600,000	18.15
Hanwha Galleria Timeworld Co., Ltd.	15,204,166	1.75
Korea Deposit Insurance Corporation	86,857,001	10.00
Treasury shares	117,139,750	13.49
Other	273,809,844	31.52
	868,530,000	100.00

2. 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.

2.1 Basis of preparation

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

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

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

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement 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 3.

2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019.

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* replaces Korean IFRS 1017 *Leases*. Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease 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.

With implementation of Korean IFRS 1116 *Lease*, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard, and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Group has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 46.

- Amendments to Korean IFRS 1019 *Employee Benefits –Amendment, Curtailment or Settlement of the Plan*

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 amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures – Long-term Interests 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 The amendments also clarify that Korean IFRS 1109 requirements are applied to long-term interests that form part of the entity's net investment in an associate or joint venture before applying the impairment requirements of Korean IFRS 1028. The amendment does not have a significant impact on the 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 judgement or estimate is required to be reassessed.

The enactment does not have a significant impact on the financial statements.

- Annual Improvements to Korean IFRS 2015 – 2017 Cycle:

· Amendments to 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 amendment does not have a significant impact on the financial statements.

· Amendments to 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 amendment does not have a significant impact on the financial statements.

· Amendments to 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 does not have a significant impact on the financial statements.

· Korean IFRS 1023 *Borrowing Costs*

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 amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1109 *Financial Instruments*, and Korean IFRS 1107 *Financial Instruments: Disclosure*

An exception has been added so that entities would apply hedge accounting during the period of uncertainty due to the interest rate benchmark reform. 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. (Hedging relationships directly affected by the reform are not required retrospective evaluations.) 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 is discontinued. These amendments will be implemented from January 1, 2020 but have been adopted with earlier application permitted.

(b) New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Group.

- Enactment of Korean IFRS 1109 *Financial Instruments*

Korean IFRS 1109 *Financial instruments* was issued on September 25, 2015, and is effective for annual periods beginning on or after January 1, 2018. However, under new Korean IFRS 1104 *Insurance Contracts*, the Group plans to choose an optional temporary exemption from applying Korean IFRS 1109 and defer the application of Korean IFRS 1109 until 2020. The Group's activities are predominantly connected with insurance, and the total carrying amount of its insurance related liabilities exceeded 90 percent of the carrying amount of its total liabilities as at December 31, 2015. These satisfy the requirements for the optional temporary exemption to apply Korean IFRS 1109. The Group expects to apply Korean IFRS 1109 for annual periods beginning on or after January 1, 2021.

However, the Group expects to apply Korean IFRS 1109 for annual periods beginning on or after January 1, 2022 upon the amendment of Korean IFRS 1104 as the date of initial application of IFRS 17 was postponed to January 1, 2022 according to the resolution of IASB in November 2018.

When applying Korean IFRS 1109, carrying amount and fair value of financial assets by category as at December 31, 2019 and 2018 and variances in the fair value for the year ended December 31, 2019, are as follows:

(in millions of Korean won)	Carrying amount		Fair value		
	2019	2018	2019	2018	Variances
Financial assets with contractual cash flows which consist solely of payments of principal and interest on the principal amount outstanding[1]	₩ 91,616,026	₩ 85,894,918	₩ 91,899,188	₩ 86,221,228	₩ 5,677,960
Other financial assets	19,019,672	16,066,187	19,040,200	16,058,972	2,981,228
	₩ 110,635,698	₩ 101,961,105	₩ 110,939,388	₩ 102,280,200	₩ 8,659,188

[1] Carrying amount (before loss allowance) and fair value of above financial assets that do not have low credit risk are ₩ 1,813,725 million and ₩ 1,777,013 million (2018: ₩ 1,997,257 million and ₩ 1,970,340 million), respectively. Carrying amounts by credit risk ratings under Korean IFRS 1107 are disclosed in Note 45.

- 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 have 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 have a significant impact on the financial statements.

- Korean IFRS 1116 *Leases* – Announcement of the IFRS Interpretations Committee (IFRSIC)

On December 16, 2019, IFRIC concluded that the enforceable period of a lease under IFRS 16, “Leases”, reflects broader economics, not just legal rights and termination cash payments. The Group is assessing the impact that the change in accounting policy of enforceable period will have on the Group’s financial statements, and the Group will apply the impact in the financial statements once the assessment is completed.

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recoded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the changed in carrying amount recognized in profit or loss.

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

(c) Elimination of intercompany transactions

Intercompany transactions, balances, income and expenses and unrealized gains and losses on transactions between Group companies are eliminated. Unrealized losses are recognized in profit or loss if the transaction provides evidence of an impairment of assets in the consolidated statement of financial position.

2.4 Operating Segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.5 Foreign Currency Translation

(a) 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 each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. The qualifying cash flow hedges are recognized in other comprehensive income.

Foreign exchange gains and losses that relate to monetary assets and liabilities are presented in the consolidated statement of comprehensive income within 'gain (loss) on foreign currency transactions'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

2.6 Cash and Cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.7 Financial Instruments

2.7.1 Classification

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity financial assets and other financial liabilities carried at amortized cost. The classification depends on the purpose for which the financial assets were acquired and the nature of the assets. Management determines the classification of its financial instruments at initial recognition.

(a) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial instruments held for trading. Financial assets and liabilities are classified in this category if acquired or incurred principally for the purpose of selling or repurchasing it in the short term. Derivatives that are not designated as hedges and financial instruments having embedded derivatives are also included in this category.

In accordance with Korean IFRS 1039 *Financial Instruments: Recognition and Measurement*, the Group may designate the hybrid (combined) contract as a financial asset at fair value through profit or loss, if the contract contains one or more embedded derivatives.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Held-to-maturity financial assets

Held-to-maturity *financial assets* are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group intends and is able to hold to maturity. If the Group were to sell other than an insignificant amounts of held-to-maturity investments, the whole category would be tainted and reclassified as available-for-sale.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in available-for-sale financial assets or not classified in any of the other categories.

(e) Financial liabilities carried at amortized cost

The Group classifies non-derivative financial liabilities as financial liabilities carried at amortized cost, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition.

2.7.2 Recognition and Measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets carried at fair value through profit or loss, including interest income, are presented in the consolidated statement of comprehensive income within 'gain (loss) on financial assets at fair value through profit or loss' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of comprehensive income as part of 'dividend income' when the Group's right to receive dividend payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive income as 'gain (loss) on available-for-sale financial assets'. Interest on available-for-sale and held-to-maturity financial assets calculated using the effective interest method is recognized in the consolidated statement of comprehensive income as part of 'interest income'. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive income as part of 'dividend income' when the Group's right to receive dividend payments is established.

2.7.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

2.7.4 Impairment of Financial Assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the

borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will undergo bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data suggesting that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot be identified with respect to individual financial assets in the portfolio.

Impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted using the initial effective interest rate. The carrying amount of the asset is reduced by the impairment loss amount and the amount of the loss is recognized in the consolidated statement of comprehensive income. In practice, the Group may measure impairment loss based on the fair value of financial asset using an observable market price. Impairment of loans and receivables is presented as a deduction in an allowance account. The Group writes off financial assets when the assets are determined to be no longer recoverable.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (for example, an improvement in debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost, is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated statement of income on equity instruments are not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2.7.5 Derecognition

If the Group transfers a financial asset and the transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as "borrowings" in the consolidated statement of financial position.

2.8 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument or not and the nature of the item being hedged. The resulting gain or loss is recognized in 'gain on valuation and disposal of derivatives' or 'loss on valuation and disposal of derivatives'.

The Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 11. Movements on the hedging reserve in other comprehensive income are shown in Note 11.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, on which the effective interest method is used, is amortized to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of comprehensive income.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income.

2.9 Property and Equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment is directly attributable to their purchase or construction, which 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. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow to the Group, and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.
The Group does not depreciate land and other tangible assets including paintings and calligraphic works. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Useful lives
Buildings	20 - 60 years
Structures	40
Vehicles and equipment	4 - 8
Other	5

If each part of an item of property and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Group reviews the depreciation method and the estimated useful lives and residual values of property and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property and equipment is derecognized.

2.10 Investment Property

Investment property is property held to earn rentals and/or for capital appreciation or both.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is reported at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment properties are depreciated based on the respective assets' estimated useful lives ranging from 20 to 60 years using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2.11 Intangible Assets

(a) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

(b) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(c) Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

2.12 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and business is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or group of CGUs, that is expected to benefit from the synergies of the combination. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2.13 Value of Business Acquired (VOBA: Value of Business Acquired)

In business combination with insurance companies, the Group recognized the differences between the fair value of the acquired insurance liability and carrying amount measured using accounting policy of acquiree, as Value of Business Acquired (intangible asset). The Value of Business Acquired is measured at present value of profit embedded in future cash flows from long- term insurance contract on acquisition date. Actuarial and economic assumptions on acquisition date are used for the calculation of cash flow. Since the intangible asset has limited insurance contract term like as useful lives, it is being systematically amortized in proportion to the expected pattern of consumption of the expected future economic benefits embodied in the asset.

2.14 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.15 Leases

(a) Lessee accounting in accordance with Korean IFRS 1017

As at December 31, 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

(b) Lessor accounting in accordance with Korean IFRS 1116

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.

(c) Lessee accounting in accordance with Korean IFRS 1116

The Group leases various offices and cars. Lease contracts are typically made for fixed periods, but may have extension options.

Contracts may contain both lease and non-lease components. The Group accounts for these lease and non-lease components, separately.

Until the 2018 financial year, leases of property and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

Lease liability measurement also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease.

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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and

- makes adjustments specific to the lease, for example term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets comprise small items of office furniture.

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider the contractual termination payments in determining the period for which the contract is enforceable.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices, vehicles and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices, vehicles and equipment leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

2.16 Deferred Acquisition Costs

Acquisition costs arising from annuity contracts and long-duration contracts sold after April 1, 2004, excluding any excess amount over estimated acquisition costs (contracts sold after April 1, 2010, excluding the amount exceeding the standard deviation deduction amount.), are deferred and amortized evenly over the premium payment period.

When the period of premium payments is longer than seven years, the amortization period of deferred acquisition costs is seven years. When the contract is canceled, any unamortized portion as at the cancellation date (or the date it becomes invalid in case the contract becomes ineffective before cancellation date) is fully amortized in the fiscal year in which such cancellation occurs.

However, contracts sold after April 1, 2013, has been deferred by limit of a larger amount of paid insurance premium and standard deviation deduction amount (Actual medical insurance and saving life insurance 70~100%, application by contract year, product, channel by the year ended 2017) and are unable to exceed 100% of the standard deviation deduction amount.

2.17 Classification of Insurance Contracts and Investment Contracts

A contract under which one party (the “insurer”) accepts significant insurance risk from another party (the “policyholder”) by agreeing to compensate the policyholder if a specified uncertain future event (the “insured event”) adversely affects the policyholder is classified as insurance contract. A contract that does not expose the insurer to significant insurance risk, but exposes the financial risk, is classified as investment contract. If the contracts are classified as insurance, the contracts remain insurance contracts until all rights and obligations are extinguished or expire. After classifying the contracts by assessing its quantitative significance, insurance contracts and investment contracts containing a discretionary participation feature are accounted for as insurance contracts in accordance with Korean IFRS 1104 *Insurance Contracts,* and investment contracts without discretionary participation feature are accounted for as financial instruments in accordance with Korean IFRS 1039 *Financial Instruments: Recognition and Measurement.*

2.18 Insurance Contract Liabilities

The Group estimated reserves for future expense, such as premium, reserve for outstanding claims, and reserve for policyholders' dividend and others, for insurance contract. The principal contents are as follows:

(a) Premium reserve

Premium reserves represent the difference between the present value of estimated insurance benefits and the present value of net premiums to be collected after the end of reporting period for long-term and annuity insurance contracts in effect as at the end of reporting period.

(b) Reserve for outstanding claims

As at the end of reporting period, for the contract that an insured event has occurred but the amount of claims payable is not yet determined, the Group records the reserve for the estimated amounts to be paid. Additional expenses arising from litigation, arbitration and claim investigation, expected to be incurred in the process of resolving an insured event are included in the reserves and the expected compensation income is deducted from the reserves.

(c) Reserve for unearned premium

Reserve for unearned premium refers to the premiums due, but whose recognition is deferred.

(d) Reserve for minimum guaranteed benefit

Reserve for minimum guarantee benefit refers to amounts that guarantee a certain level of insurance. It is calculated by considering the future loss in accordance with Detailed Enforcement Regulation on Insurance Supervision.

The Group calculated it applying the change in accumulation base of reserve for minimum guaranteed benefit in accordance with the amendment to the Regulation on Insurance Supervision during 2019, and this change in accounting policy has no effect on the consolidated statement of financial position as at December 31, 2018 and January 1, 2018 and consolidated statement of comprehensive income for the year ended December 31, 2018.

(e) Reserve for policyholders' dividends

In compliance with the Supervisory Regulation, the Group reserves represent amounts payable to policyholders due to mortality gains, interest gains, and expense gains.

(f) Reserve for policyholders' profit dividend

Pursuant to relevant laws and contracts, the Group may provide an excess participating policyholder dividend reserve in accordance with the operating results of related insurance products. The reserve may be used to pay participating policyholder dividends or additional dividends.

(g) Reserve for losses on dividend insurance

Reserve for losses on dividend insurance can be provided within 30 percent of excess participating policyholders' dividend reserve. It covers the loss of the participating insurance within five years, and after covering the loss, the remaining reserve would be available for dividends to participating policyholders.

2.19 Liability Adequacy Test

The Group assesses at the end of each reporting period whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. The test considers current estimates of all contractual cash flows for premium reserve and reserve for unearned premium. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in light of the estimated future cash flows, the entire deficiency shall be recognized in the consolidated statement of comprehensive income.

2.20 Claim Handling Cost

Claim handling costs are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Claims handling costs are expenses dealing with accident, and they are accompanying expenses of insurance payments. The Group accumulates expected payments of loss adjustment in the insurance contract liabilities.

2.21 Compensation Receivables

Compensation receivables are calculated by multiplying the average recovery ratio for the last three years from the prior year's reporting period date to the amount of net claims for the three years according to the Regulation on Supervision Insurance Business, based on the estimated amount collectible through sales of collateralized assets or exercise of subrogation rights or any other rights which have been acquired in the course of settling the claims already paid as at settlement of accounts.

2.22 Reinsurance Contracts

In accordance with Korean IFRS 1104 *Insurance Contracts*, the Group does not offset reinsurance assets against the related insurance liabilities and income or expense from reinsurance contracts against the expense or income from the related insurance contracts. The Group considers whether its reinsurance assets are impaired at the end of each reporting period. If a contractor's reinsurance asset is impaired, the contractor shall reduce its carrying amount accordingly and recognize that impairment loss in profit or loss.

2.23 Policyholders' Equity Adjustment

Changes in the fair value of available-for-sale financial assets, share of other comprehensive income of subsidiaries and associates, and others are allocated to policyholder's equity and shareholders' equity in accordance with Regulation on Insurance Supervisory. The amount of policyholder's equity is recorded as policyholders' equity adjustment.

2.24 Separate Account Assets and Liabilities

Separate accounts represent assets and liabilities that are maintained by an insurance entity and are established primarily for the purpose of funding fixed and variable annuity contracts, variable life insurance contracts, variable universal insurance contracts, group annuity contracts, and similar activities.

The Insurance Business Law governs the structure of separate accounts and the Regulation on Insurance Supervision has developed certain regulations with respect to separate accounts. The Regulation on Insurance Supervision indicates that a separate account is legally segregated from the insurer's general account and the assets in the separate accounts are generally restricted from being charged with liabilities arising out of any other business of the insurer.

Separate accounts are currently used to support group severance and variable insurance policies. In sponsoring a group severance insurance plan, the Group generally assumes the risk of investment gains or losses and guarantees the contract holder a specified interest rate. A variable insurance contract is a contractual arrangement that combines some features of an investment company, such as when the contract holder assumes the risk of investment gains or losses, with certain traditional insurance features, such as when the insurance company assumes the risk of mortality and administrative expenses. The fair value of the contract holder's account varies with the investment experience of the specific portfolio of securities, the securities held in the separate accounts.

A separate account is not a legal entity, but an accounting entity with accounting records for variable or fixed-benefit contract assets, liabilities, income and expenses segregated as a discrete operation within the insurance company. The variable contract separate accounts do not affect the results of the insurance company's other separate accounts and its general account.

2.25 Provisions and Contingent Liabilities

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

2.26 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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 profit nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, 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.
In addition, the Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

2.27 Employee Benefits

(a) Post-employment benefits

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(b) Other long-term employee benefits

Certain entities within the Group provide long-term employee benefits that are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the consolidated statement of comprehensive income in the period in which they arise. These liabilities are valued annually by an independent qualified actuary.

2.28 Share Capital

Ordinary shares are classified as equity.

Where the Parent Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received is included in equity attributable to the Group's equity holders.

2.29 Revenue Recognition

(a) Insurance premium

Insurance premiums received in advance are deferred as unearned revenue at the time of receipt. As the contract matures, a proportionate portion of the insurance premium is recognized as revenue over the coverage period. Overdue insurance premiums are not recognized at the end of the reporting period.

(b) Interest income

Interest income is recognized using the effective interest method according to the time passed. The effective interest method is a method of calculating the amortized cost of financial assets or liabilities and of allocating interest income 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 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, the Group uses the contractual cash flows over the full contractual term of the financial instrument.

When financial assets are impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired financial assets is recognized using the original effective interest rate.

(c) Dividends income

Dividend income is recognized when the right to receive payment is established.

2.30 Reserve for Credit Losses

The Group is required to appropriate, as a reserve for credit losses, a difference between the allowance of credit losses in accordance with Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and that under the Supervisory Regulations on Insurance Business if the allowance in accordance with Korean IFRS is less than that in accordance with the Supervisory Regulations on Insurance Business. The reserve for credit losses is included in retained earnings and is allowed to reduce to the reserve amount required by the related financial regulation if the reserve for credit losses is over the required reserve. If there is an accumulated deficit, the reserve for credit losses is not appropriated until the undisposed accumulated deficit is disposed.

2.31 Catastrophe Reserves

The Group annually accumulates the appropriate amount not less than 35 percent not more than 10 percent of the net premium written multiplied by the adjusted rate, within the limit 50 percent of the earned premium of the reporting period in order to make up for the exceptionally large claims in the future. Also, when the combined loss ratio of each insurance product exceeds 120% (fire), 110% (marine, auto and casualty), 140% (guarantee), 80% (foreign direct, assumed reinsurance inward), respectively, the reserve can be reversed within the limit of excess amount.

2.32 Financial Soundness Reserve

In accordance with Article 6-11 Clause 3 of the Supervisory Regulation on Insurance Industry, newly established in 2019, the Group appropriates the financial soundness reserves within retained earnings in an amount more than the difference between the targeted insurance contract liability subject to adequacy test and the greater of tested amounts of insurance contract liability as at December 31, 2019 and insurance contract liability to be tested at the end of the reporting period. The excess of financial soundness reserves over the required reserve at the end of the reporting period should not be reversed. If there is an accumulated deficit, the financial soundness reserve is not appropriated until the undisposed accumulated deficit is disposed.

2.33 Approval of Issuance of the Financial Statements

The consolidated financial statements 2019 were approved for issue by the Board of Directors on February 28, 2020, and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Defined benefit retirement plans

The Group operates a defined benefit retirement plan for its employees. Defined benefit obligations are calculated based on actuarial valuation method at the end of each reporting period. To apply actuarial valuation method, it requires to make estimates (actuarial assumptions) about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs). Due to the uncertainty of the assumptions used, the amount of defined benefit retirement plans could be materially different from actual incurred payment in future periods.

(b) Fair value of financial assets

As described in Note 4, the Group uses a valuation for financial assets based on assumptions that are not supported by prices from observable current market to estimate fair value of specific financial assets. Management believes the valuation technique and assumptions that are used to determine fair value of financial assets are appropriate.

(c) Assessment of provision for impairment

Assessment of provision for impairment of loans and receivables includes uncertainties in the estimation of expected cash flow for individual assessment and of assumptions and input factors for collective assessment.

(d) Income tax

The Group recorded, based on its best estimate, current taxes and deferred taxes that the Group will be liable in the future for the operating results as of the financial year end. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the tax system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(e) Premium reserve

The Group calculates premium reserves in accordance with Regulation on Supervision of Insurance Business for settling future insurance claims arisen from the existing contracts at the end of reporting period. Estimation of premium reserve requires assumptions such as actuarial model, interest rate and risk rate defined under Article 6-12 of the Regulation on Supervision of the Insurance Business (Note 16).

4. Fair Value Measurements

Fair Value Hierarchy

Items that are measured at fair value or for which the fair value is disclosed are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

The fair value of assets and liabilities traded in active markets is based on quoted market prices at the consolidated statement of financial position date. A market is regarded as active 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. These assets and liabilities are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of assets and liabilities are observable, such assets and liabilities are included in Level 2.

If one or more of the significant inputs is not based on observable market data, assets and liabilities are included in Level 3.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Fair value measurements by fair value hierarchy levels as at December 31, 2019 and 2018, are as follows:

	Details
Marketable securities	Listed securities which are traded in an active market are measured at quoted market prices. Otherwise, the value of the securities is determined by using valuation techniques from independent external valuation. Independent external valuator determines more than one valuation technique which is deemed appropriate from models such as DCF (Discounted Cash Flow) model, IMV (Imputed Market Value) model, FCFE (Free Cash Flow to Equity Mode), dividend discount model, risk adjusted discount rate method, and net asset value method.
Loans	Discounted Cash Flow Model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flow, which are contractual cash flows adjusted by prepayment rate, at appropriate discount rate. For those loans with residual maturities of less than one year as of the acquisition date and the ones with interest rate reset period of less than three months, carrying amount is regarded as fair value.
Derivatives instruments	For exchange traded derivatives, quoted price in an active market is used to determine fair value. For OTC (Over-The-Counter) derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters, fair value is determined by independent third-party pricing services. In addition, since some or all parameters are impossible to be observed in the market, some complex financial instruments are valued using independent third-party pricing services.

Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value is disclosed as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at fair value through profit or loss	₩ 330,948	₩ 2,481,510	₩ 4,352,685	₩ 7,165,143
Available-for-sale financial assets	18,076,765	45,883,281	6,550,074	70,510,120
Derivative assets	-	297,987	-	297,987
	₩ 18,407,713	₩ 48,662,778	₩ 10,902,759	₩ 77,973,250
Financial liabilities				
Derivative liabilities	₩ -	₩ 607,563	₩ -	₩ 607,563

(in millions of Korean won)	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at fair value through profit or loss	₩ 148,872	₩ 2,354,230	₩ 3,126,063	₩ 5,629,165
Available-for-sale financial assets	4,416,644	18,073,212	5,597,368	28,087,224
Derivative assets	-	377,183	-	377,183
	₩ 4,565,516	₩ 20,804,625	₩ 8,723,431	₩ 34,093,572
Financial liabilities				
Derivative liabilities	₩ -	₩ 322,195	₩ -	₩ 322,195

As at December 31, 2019 and 2018, the equity instruments are measured at cost of ₩ 117,934 million and ₩ 127,690 million, respectively, whose fair value cannot be reliably measured and do not have quoted market price in an active market.

It is practically difficult to quantify the intrinsic values of the equity securities, and probabilities and range of estimated cash flows of the securities cannot be reasonably assessed. Therefore, these equity securities are carried at cost. The Group has no plan to sell these instruments in the near future, and is expected to measure their fair value upon the privatization of invested companies or upon further progress of the projects.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Changes in level 3 for recurring fair value measurements 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 and loss	**Available-for-sale financial assets**	**Total**
Beginning Balance	₩ 3,126,063	₩ 5,597,368	₩ 8,723,431
Purchase	1,237,386	1,685,915	2,923,301
Disposal	(255,054)	(588,878)	(843,932)
Valuation	145,647	42,188	187,835
Impairment	-	(14,340)	(14,340)
Reclassification[1]	98,643	(172,179)	(73,536)
Ending Balance	₩ 4,352,685	₩ 6,550,074	₩ 10,902,759

[1] Adjustments resulting from reclassification of available-for-sale financial assets and beneficiary certificates and transfer in (out) into (from) Level 3.

(in millions of Korean won)	2018		
	Financial assets at fair value through profit and loss	**Available-for-sale financial assets**	**Total**
Beginning Balance	₩ 1,807,604	₩ 4,936,606	₩ 6,744,210
Purchase	1,850,384	1,111,845	2,962,229
Disposal	(550,474)	(506,250)	(1,056,724)
Valuation	8,991	131,059	140,050
Impairment	-	(5,176)	(5,176)
Reclassification[1]	9,558	(70,716)	(61,158)
Ending Balance	₩ 3,126,063	₩ 5,597,368	₩ 8,723,431

[1] Adjustments resulting from reclassification of available-for-sale financial assets and beneficiary certificates and transfer in (out) into (from) Level 3.

The Group’s policy is to recognize transfers between levels of the fair value at the date of the event or change in circumstances that caused the transfer. There are no changes in valuation technique used in level 2 and level 3 fair value measurements.

Sensitive analysis of the fair value measurement of financial instruments classified as Level 3

The sensitive analysis calculates the effect of changes in the unobservable inputs on the fair value measurement of financial assets. The effect is classified as favorable or unfavorable changes. If the fair value is affected by two or more unobservable inputs, the effect is calculated by assuming the most favorable or adverse circumstances. Financial instruments classified as Level 3 are the subject of the sensitive analysis and those include financial assets at fair value through profit or loss, equity securities and beneficiary certificates. The change of the fair value of financial assets at fair value through profit or loss is recognized in profit or loss and of the other financial instruments is recognized in profit or loss or other comprehensive income.

The following table presents the effect of changes in the unobservable inputs on the fair value measurement of financial instruments for the years ended on December 31, 2019 and 2018.

(in millions of Korean won)	2019			
	Profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss [1]	₩ 43,527	₩ (43,527)	₩ -	₩ -
Available-for-sale financial assets [1,2]	-	-	68,736	(66,679)

(in millions of Korean won)	2018			
	Profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss [1]	₩ 31,261	₩ (31,261)	₩ -	₩ -
Available-for-sale financial assets [1,2]	-	-	57,562	(56,948)

[1] Changes in the fair value of other securities and beneficiary certificates are calculated by increasing and decreasing the main unobservable inputs, such as, the price fluctuations of trust properties or real estate, by 1%.

[2] Changes in the fair value of equity securities are calculated by increasing and decreasing the main unobservable inputs of growth rate (0~1%) and discount rate or liquidation value (-1~1%).

The book amount and fair value of financial instruments not subsequently carried at fair value as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019		2018	
	Book amount	**Fair value**	**Book amount**	**Fair value**
Financial assets				
Cash and cash equivalents	₩ 950,704	₩ [1]	₩ 1,838,710	₩ [1]
Deposits	1,019,690	[1]	792,175	[1]
Held-to-maturity financial assets	-	-	36,741,795	36,992,416
Loans	28,812,796	29,116,486	26,915,013	27,010,479
Other financial assets	1,761,323	[1]	1,452,151	[1]
	₩ 32,544,513	₩ 29,116,486	₩ 67,739,844	₩ 64,002,895
Financial liabilities				
Other financial liabilities	₩ 2,532,401	₩ [1]	₩ 2,002,451	₩ [1]

[1] These financial assets and liabilities of which book amounts are considered approximation of fair values are excluded from the fair value disclosure.

Fair value hierarchy classifications of the financial instruments that its fair value is disclosed as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Held-to-maturity financial assets	₩ -	₩ -	₩ -	₩ -
Loans	-	-	29,116,486	29,116,486

(in millions of Korean won)	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Held-to-maturity financial assets	₩ 13,602,202	₩ 23,390,214	₩ -	₩ 36,992,416
Loans	-	-	27,010,479	27,010,479

The financial assets and liabilities of which book amounts are considered approximation of fair values are excluded from the fair value disclosure.

Valuation techniques and inputs used in levels 2 and 3 fair value measurements are as follows:

(in millions of Korean won)	2019				
	Fair value	**Level**	**Valuation techniques**	**Inputs**	**Range of inputs (%)**
Financial assets					
Financial assets at fair value through profit or loss	₩ 2,481,510	2	Net asset value assessment/DCF	Net asset value, Discount rate	-
	4,352,685	3	Net asset value assessment	Net asset value	-
Available-for-sale financial assets	45,883,281	2	DCF and others	Discount rate	-
	6,550,074	3	DCF/Comparable analysis/Utilization of past transaction/Net asset value assessment	Growth rate	0.00~1.00
				Discount rate	2.60~11.14
				Net asset value	-
Derivative assets	297,987	2	DCF/Embedded forward rate calculation and others	Discount rate	-
Loans [1]	29,116,486	3	DCF	Credit spread, Early redemption rate	-
Financial liabilities					
Derivative liabilities	607,563	2	DCF/Embedded forward rate calculation and others	Discount rate	-

[1] The range of inputs is not disclosed for financial assets whose book amount is measured at amortized cost and fair value is disclosed in the notes.

(in millions of Korean won)	2018				
	Fair value	**Level**	**Valuation techniques**	**Inputs**	**Range of inputs (%)**
Financial assets					
Financial assets at fair value through profit or loss	₩ 2,354,230	2	Net asset value assessment/DCF	Net asset value, Discount rate	-
	3,126,063	3	Net asset value assessment	Net asset value	-
Available-for-sale financial assets	18,073,212	2	DCF and others	Discount rate	-
	5,597,368	3	DCF/Comparable analysis/Utilization of past transaction/Net asset value assessment	Growth rate	0.00~1.00
				Discount rate	3.18~11.61
				Value of liquidation	-
Held-to-maturity financial assets [1]	23,390,214	2	DCF	Discount rate	-
Derivative assets	377,183	2	DCF/Embedded forward rate calculation and others	Discount rate	-
Loans [1]	27,010,479	3	DCF	Credit spread, Early redemption rate	-
Financial liabilities					
Derivative liabilities	322,195	2	DCF/Embedded forward rate calculation and others	Discount rate	-

[1] The range of inputs is not disclosed for financial assets whose book amount is measured at amortized cost and fair value is disclosed in the notes.

5. Financial Instruments by Category

Categorizations of financial assets and liabilities as at December 31, 2019 and 2018, are as follows:

Financial assets

(in millions of Korean won)	2019				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative instruments for hedging	Total
Cash and cash equivalents	₩ -	₩ -	₩ 950,704	₩ -	₩ 950,704
Deposits	-	-	1,019,690	-	1,019,690
Securities	7,165,143	70,628,054	-	-	77,793,197
Loans	-	-	28,812,796	-	28,812,796
Derivative assets	51,001	-	-	246,986	297,987
Other financial assets	-	-	1,761,323	-	1,761,323
	₩ 7,216,144	₩ 70,628,054	₩ 32,544,513	₩ 246,986	₩ 110,635,697

(in millions of Korean won)	2018					
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Derivative instruments for hedging	Total
Cash and cash equivalents	₩ -	₩ -	₩ -	₩ 1,838,710	₩ -	₩ 1,838,710
Deposits	-	-	-	792,175	-	792,175
Securities	5,629,165	28,214,914	36,741,795	-	-	70,585,874
Loans	-	-	-	26,915,013	-	26,915,013
Derivative assets	30,901	-	-	-	346,282	377,183
Other financial assets	-	-	-	1,452,151	-	1,452,151
	₩ 5,660,066	₩ 28,214,914	₩ 36,741,795	₩ 30,998,049	₩ 346,282	₩ 101,961,106

Financial liabilities

(in millions of Korean won)	2019			
	Financial liabilities at fair value through profit or loss	Hedged derivative instruments	Financial liabilities carried at amortized cost	Total
Derivative liabilities	₩ 41,774	₩ 565,789	₩ -	₩ 607,563
Other financial liabilities	-	-	2,532,401	2,532,401
	₩ 41,774	₩ 565,789	₩ 2,532,401	₩ 3,139,964

(in millions of Korean won)	2018			
	Financial liabilities at fair value through profit or loss	Hedged derivative instruments	Financial liabilities carried at amortized cost	Total
Derivative liabilities	₩ 16,864	₩ 305,331	₩ -	₩ 322,195
Other financial liabilities	-	-	2,002,451	2,002,451
	₩ 16,864	₩ 305,331	₩ 2,002,451	₩ 2,324,646

6. Cash and Cash Equivalents, and Deposits

Cash and cash equivalents and deposits as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	Financial institution	Annual interest rate (%)	2019	2018
Cash and cash equivalents:				
Cash and demand deposits	KB Kookmin Bank and others	0~5	₩ 235,025	₩ 160,147
Money market deposit accounts(“MMDA”) and others	KEB Hana Bank and others	0.1~1.8	715,679	1,678,563
			950,704	1,838,710
Bank deposits:				
Term deposits	Woori Bank and others	0.02~8.4	269,671	292,418
Others	Kyobo Securities and others	1.87~5.8	750,019	499,757
			1,019,690	792,175
			₩ 1,970,394	₩ 2,630,885

Details of restricted deposits as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	Financial institution	2019	2018	Reason for restrictions
Other deposits	KEB Hana Bank and others	₩ 1,421	₩ 695	Collateral for guarantees received and others
Deposits for opening checking account	KEB Hana Bank and others	18	18	Guarantees for deposit for opening of checking account

7. Financial Assets at Fair Value through Profit or Loss, Available-For-Sale and Held-To-Maturity

Details of financial assets at fair value through profit or loss as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Trading securities				
Equity securities:				
Stocks	₩	403,011	₩	156,150
Beneficiary certificates		986,940		512,418
		1,389,951		668,568
Debt securities:				
Government and public bonds		14,493		2,579
Corporate bonds		51,965		62,184
		66,458		64,763
Overseas securities		4,885,412		3,390,650
Other securities		823,322		1,431,599
		7,165,143		5,555,580
Financial assets designated as at fair value through profit or loss [1]				
Overseas securities		-		57,743
Other securities		-		15,842
		-		73,585
	₩	7,165,143	₩	5,629,165

[1] Compound financial instruments containing one or more embedded derivatives are designated as at fair value through profit or loss in its entirety.

Details of available-for-sale financial assets as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		**2019**		**2018**
Equity securities:				
Stocks	₩	783,352	₩	1,000,373
Investments		55,740		47,800
Beneficiary certificates		5,615,659		5,522,591
		6,454,751		6,570,764
Debt securities:				
Government and public bonds		15,106,323		1,405,560
Special bonds		14,266,279		3,955,023
Financial bonds		806,216		914,773
Corporate bonds		4,310,878		2,517,772
Others [1]		6,934		-
		34,496,630		8,793,128
Overseas securities		29,086,347		12,590,464
Other securities		362,730		260,558
Others [1]		227,596		-
	₩	70,628,054	₩	28,214,914

[1] Transfer transactions that do not meet the derecognition requirements in accordance with Korean IFRS 1039. The Group receives commission through the loan of financial assets currently held in Korea Securities Depository and other as at December 31, 2019 and 2018.

Details of impairment losses on available-for-sale financial assets for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		**2019**		**2018**
Stocks and investments	₩	5,936	₩	4,352
Beneficiary certificates		178,852		20
Overseas securities		78,540		9,101
Other securities		2,277		-
	₩	265,605	₩	13,473

Changes in the fair value of available-for-sale financial assets for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019					
	Beginning balance	**Valuation**	**Profit or loss**	**Others [1]**	**Reclassification [2]**	**Ending balance**
Changes in the fair value of available-for-sale financial assets	₩ (76,613)	₩ 3,237,334	₩ 305,516	₩ (8,736)	₩ 1,130,752	₩ 4,588,253
The amount allocated to policyholders' equity adjustment	(49,554)					(1,105,959)
The amount allocated to shareholders' equity	(126,167)					3,482,294
Deferred tax effect	32,173					(906,312)
Shareholders' equity, net of deferred tax	₩ (93,994)					₩ 2,575,982

[1] Adjustments resulting from reclassification of available-for-sale financial assets and beneficiary certificates.
[2] Adjustments resulting from reclassification of held-to-maturity financial assets to available-for-sale financial assets.

(in millions of Korean won)	2018				
	Beginning balance	**Valuation**	**Profit or loss**	**Others [1]**	**Ending balance**
Changes in the fair value of available-for-sale financial assets	₩ 362,660	₩ (212,658)	₩ (276,998)	₩ 50,383	₩ (76,613)
The amount allocated to policyholders' equity adjustment	(98,114)				(49,554)
The amount allocated to shareholders' equity	264,546				(126,167)
Deferred tax effect	(78,961)				32,173
Shareholders' equity, net of deferred tax	₩ 185,585				₩ (93,994)

[1] Adjustments resulting from reclassification of available-for-sale financial assets to held-to-maturity financial assets and reclassification of available-for-sale financial assets and beneficiary certificates.

Details of held-to-maturity financial assets as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019	2018
Government and public bonds	₩ -	₩ 11,919,025
Special bonds	-	10,067,431
Corporate bonds	-	1,163,005
Overseas bonds	-	13,018,849
Others [1]	-	573,485
	₩ -	₩ 36,741,795

[1] Transfer transactions that do not meet the derecognition requirements in accordance with Korean IFRS 1039. The Group receives commission through the loan of financial assets currently held in Korea Securities Depository and other as at December 31, 2019.

During the year ended December 31, 2018, the Group reclassified securities of ₩ 2,201,860 million from available-for-sale financial assets to held-to-maturity financial assets that have fixed or determinable payments and fixed maturity and the Group has the intention and ability to hold to maturity.

Changes in the gains or losses on valuation of held-to-maturity financial assets recognized in accumulated other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019			
	Beginning balance	Profit or loss	Reclassification [1]	Ending balance
Gains or losses on valuation of held-to-maturity financial assets	₩ 1,303,833	₩ (173,080)	₩ (1,130,752)	₩ -
The amount allocated to policyholders' equity adjustment	(382,944)			-
The amount allocated to shareholders' equity	920,889			-
Deferred tax effect	(234,827)			-
Shareholders' equity, net of deferred tax	₩ 686,062			₩ -

[1] Adjustments resulting from reclassification of held-to-maturity financial assets to available-for-sale financial assets.

(in millions of Korean won)	2018			
	Beginning balance	**Profit or loss**	**Reclassification [1]**	**Ending balance**
Gains or losses on valuation of held-to-maturity financial assets	₩ 1,495,923	₩ (141,328)	₩ (50,762)	₩ 1,303,833
The amount allocated to policyholders' equity adjustment	(447,078)			(382,944)
The amount allocated to shareholders' equity	1,048,845			920,889
Deferred tax effect	(273,749)			(234,827)
Shareholders' equity, net of deferred tax	₩ 775,096			₩ 686,062

[1] Adjustments resulting from reclassification of available-for-sale financial assets to held-to-maturity financial assets.

During the year ended December 31, 2019, the Group's management reclassified held-to-maturity financial assets to available-for-sale financial assets as their intent and ability to hold held-to-maturity financial assets changed. Details of held-to-maturity financial assets reclassified as at the date of reclassification are as follows:

(in millions of Korean won)	**Nominal amount**	**Acquisition cost**	**Carrying amount**	**Fair value**
Government and public bonds	₩ 12,627,681	₩ 11,002,116	₩ 12,137,009	₩ 12,888,445
Special bonds	9,668,500	9,743,671	10,302,880	10,779,905
Corporate bonds	1,210,900	1,209,258	1,249,551	1,355,487
Overseas bonds	14,365,736	13,867,388	14,228,515	15,483,618
	₩ 37,872,817	₩ 35,822,433	₩ 37,917,955	₩ 40,507,455

8. Subsidiaries

Details of subsidiaries as at December 31, 2019 and 2018, are as follows:

Name of company	Main operating activity	Location	Ownership held by the Group (%) 2019	Ownership held by the Group (%) 2018
Subsidiaries				
Hanwha Asset Management Co., Ltd.	Asset management	Korea	100	100
Hanwha 63 City Corporation	Real estate management, service and etc.	Korea	100	100
Hanwha I&A Co., Ltd.	Services for insurance	Korea	100	100
Hanwha Life Asset Co., Ltd.	Insurance agent and brokerage	Korea	100	100
Hanwha Financial Asset Co., Ltd.	Insurance agent and brokerage	Korea	100	100
Hanwha Life Insurance Company Limited (Vietnam)	Life insurance	Vietnam	100	100
PT. Hanwha Life Insurance Indonesia	Life insurance	Indonesia	99.6	99.6
Hanwha General Insurance Co., Ltd.	Non-life insurance	Korea	51.4	51.4
Carrot General Insurance [1]	Non-life insurance	Korea	68.3	-
Hanwha Asset Management(USA) Ltd. [2]	Oversea securities investment	USA	100	100
Hanwha Asset Management Pte., Ltd. [2]	Asset management	Singapore	100	100
Hanwha Investment Management Pte., Ltd. [2]	Asset management	China	100	100
Beneficiary certificates				
Mirae Asset Global Renewable Energy Private special Asset Investment Trust 2	Collective investment schemes (special asset)	Korea	100	100
Mirae Asset MAPS Global Renewable Energy Private special Asset Investment Trust 1	Collective investment schemes (special asset)	Korea	100	100
Simone Global Venture Special Asset Investment Trust 1	Collective investment schemes (security)	Korea	100	100
Shinhan BNPP Global Solar Energy Special Asset Investment Trust (Solar Energy Project)	Collective investment schemes (special asset)	Korea	100	100
Shinhan BNPP Seoul-Munsan Expressway Special Asset Investment Trust	Collective investment schemes (special asset)	Korea	93.3	93.3
IGIS KORIF Private Placement Fund 17-1	Collective investment schemes (real estate)	Korea	100	100
IGIS KORIF Private Placement Fund 17-2	Collective investment schemes (real estate)	Korea	100	100
IGIS KORIF Private Placement Fund 17-3	Collective investment schemes (real estate)	Korea	100	100
IGIS KORIF Private Placement Fund 17-4	Collective investment schemes (real estate))	Korea	100	100
Pinetree Solthree Private Real Estate Investment Trust Security III	Collective investment schemes (real estate)	Korea	100	99.1

Name of company	Main operating activity	Location	Ownership held by the Group (%) 2019	2018
Pinetree Solthree Private Real Estate Investment Trust Security V	Collective investment schemes (real estate)	Korea	97.1	97.1
Pinetree Solthree Private Real Estate Investment Trust Security 6-2	Collective investment schemes (real estate)	Korea	98	98
Hana HW Landchip Private Real Estate Feeder Investment Trust No. 1	Collective investment schemes (real estate)	Korea	98	98
Hanwha Prudential US Real Estate Debt Private Real Estate Fund I	Collective investment schemes (real estate)	Korea	100	100
Hanwha AI Global Choice Private Fund 1 (FOF)	Collective investment schemes (real estate/special asset)	Korea	100	100
Hanwha AI Global Choice Private Fund 2 (FOF)	Collective investment schemes (security)	Korea	100	100
Hanwha CONSUMER CREDIT Private Special Asset Investment Trust Security 1	Collective investment schemes (special asset)	Korea	100	100
Hanwha DEBT STRATEGY Private Special Asset Investment Trust Security 6	Collective investment schemes (real estate)	Korea	100	100
Hanwha LTI Private Special Asset Investment Trust Security II (infra)	Collective investment schemes (special asset)	Korea	90.6	90.6
Hanwha LTI Infra Private Special Asset Investment Trust Security I	Collective investment schemes (special asset)	Korea	100	100
Hanwha Tri-circle Infra Special Asset I	Collective investment schemes (special asset)	Korea	100	100
Hanwha Tri-circle Infra Special Asset III	Collective investment schemes (special asset)	Korea	95	95
Samsung VLCC special Asset Investment Trust 1	Collective investment schemes (special asset)	Korea	68.3	68.3
Mirae Asset UK Gas Infrastructure Qualified Investors Private Special Asset Investment Trust I	Collective investment schemes (special asset)	Korea	83.8	83.8
Hanwha Asia Opportunity Private Fund I	Collective investment schemes (security)	Korea	100	100
Hanwha Vietnam Legend Feeder Fund C-F	Collective investment schemes (security)	Korea	100	100
Hanwha Global Infrastructure Strategy Fund I	Collective investment schemes (special asset)	Korea	100	100
Hanwha Global Corporate PE Strategy Private Fund I	Collective investment schemes (security)	Korea	100	100
Hanwha Global Real Estate Strategy Private Fund I	Collective investment schemes (real estate)	Korea	100	100
Kyobo-AXA Bongdam-Songsan Expressway Qualified Investors Private Special Asset Investment Trust I	Collective investment schemes (special asset)	Korea	85.2	85.2

Name of company	Main operating activity	Location	Ownership held by the Group (%)	
			2019	2018
Hanwha Asean Legend Feeder Fund C-F	Collective investment schemes (security)	Korea	100	100
Hanwha Global Real Asset Balanced Asset Feeder Investment Trust – Balanced FoF Class CF	Collective investment schemes (security)	Korea	100	100
Hanwha Total Portfolio Solution Fund	Collective investment schemes (security)	Korea	100	100
Hanwha Lifestyle Private Fund I	Collective investment schemes (security)	Korea	100	100
Hanwha Global Corporate PE Strategy Private Fund II	Collective investment schemes (security)	Korea	100	100
Hanwha Global Real Estate Strategy Private Fund II	Collective investment schemes (real estate)	Korea	100	100
Hanwha Global Infrastructure Strategy Fund II	Collective investment schemes (special asset)	Korea	100	100
Hanwha LIFEPLUSTDF2020 Feeder Fund C-F	Collective investment schemes (security)	Korea	100	99.2
Hanwha LIFEPLUSTDF2025 Feeder Fund C-F	Collective investment schemes (security)	Korea	100	99.5
Hanwha LIFEPLUSTDF2030 Feeder Fund C-F	Collective investment schemes (security)	Korea	100	99.2
Hanwha LIFEPLUSTDF2035 Feeder Fund C-F	Collective investment schemes (security)	Korea	100	99.5
Hanwha LIFEPLUSTDF2040 Feeder Fund C-F	Collective investment schemes (security)	Korea	100	99.7
Hanwha LIFEPLUSTDF2045 Feeder Fund C-F	Collective investment schemes (security)	Korea	100	99.6
Hanwha Vietnam Opportunity Private Fund I	Collective investment schemes (security)	Korea	100	100
Hanwha Corporation Exclusive Global Securities Feeder Investment Trust – Bond Class C	Collective investment schemes (security)	Korea	96.8	95.2
Hanwha Multi Asset Cruise 5.0 Fund - Feeder Fund (Balanced Bond-FoFs) C-i1[3]	Collective investment schemes (security)	Korea	-	51.7
Hanwha Green Love Infra Private 1 (SOC) [4]	Collective investment schemes (special asset)	Korea	50	50
Hanwha photovoltaic power generation private 1 [4]	Collective investment schemes (special asset)	Korea	50	50
Hanwha Green Love Private 2 (Infra) [4]	Collective investment schemes (special asset)	Korea	40.3	40.3
Hanwha GwangJu Belt-Highway Private 1 (Infra) [4]	Collective investment schemes (special asset)	Korea	50	50

Name of company	Main operating activity	Location	Ownership held by the Group (%)	
			2019	2018
Hanwha Photovoltaic power generation Private 2 [4]	Collective investment schemes (special asset)	Korea	50	50
HANWHA ARIRANG NASDAQ Technology Sector ETF [3]	Collective investment schemes (security)	Korea	-	58.8
Hanwha Korea Legend 4th Industrial Revolution Fund(Equity) C-F	Collective investment schemes (security)	Korea	100	57.9
Hanwha Global Credit Strategy Private Fund I (FOF)	Collective investment schemes (special asset)	Korea	100	100
Gangso Renewable Energy Innovation Fund	Venture capital investment association	Korea	99	99
Hanwha Global Business Fund [3]	Venture capital investment association	Korea	-	60
ARIRANG KRX300 [3]	Collective investment schemes (security)	Korea	-	54
TIGER Preferred share [3]	Collective investment schemes (security)	Korea	-	52
Hanwha Asia Legend 4th Industrial Revolution Fund - Feeder Fund (Equity) C-f	Collective investment schemes (security)	Korea	100	88.8
Hanwha SRI Fund(Equity) - Feeder Fund (Equity) C-f	Collective investment schemes (security)	Korea	81.5	49.9
Hanwha Global Infrastructure Strategy Private Fund 3[5]	Collective investment schemes (special asset)	Korea	88	-
Hanwha the third gyeongin highway Private Fund I [4]	Collective investment schemes (special asset)	Korea	48.2	-
Hyundai IFM Investors Infrastructure Debt SMA[5]	Collective investment schemes (special asset)	Korea	100	-
Hanwha Debt Strategy Private Real Estate Fund 16[5]	Collective investment schemes (real estate)	Korea	50.9	-
Hanwha ARIRANG US Short-Term Credit Bond ETF	Collective investment schemes (security)	Korea	65.2	-
Hanwha ARIRANG US Long-Term Credit Bond ETF	Collective investment schemes (security)	Korea	62.5	-
Hanwha Asia REITs Fund - Feeder Fund (REITs-FoFs) C-f	Collective investment schemes (security)	Korea	100	-

[1] The entities are newly established in 2019 and the Group exercises control through Hanwha General Insurance Co., Ltd., a subsidiary.

[2] The Group holds 100% ownership through the Group's subsidiary, Hanwha Asset Management Co., Ltd.

[3] The entities are excluded from consolidation due to loss of control in 2019.

[4] Although the Group owns less than 50% of shares, six beneficiary certificates including Hanwha Green Love Private 2 (Infra) are included in consolidated subsidiaries in accordance with Korean IFRS 1110, considering percentage of ownership and substantial agent relationship.

[5] In 2019, the Group newly acquired the shares of Hanwha Debt Strategy Private Real Estate Fund 16 and 2 other beneficiary certificates, and those newly purchased shares are classified as investments in subsidiaries in accordance with Korean IFRS 1110.

As at December 31, 2019, Consus Incheon sewage pipes private investment trust I and 13 other beneficiary certificates, although the Group owns more than 50% of shares, are excluded from consolidated subsidiaries, in accordance with Korean IFRS 1110, as the Group is unable to exercise voting rights by an agreement with other shareholders and therefore do not have a practical decision on related activities of investee.

In 2019, Carrot General Insurance and 7 beneficiary certificates including Hanwha Global Infrastructure Strategy Private Fund 3 are newly included in the consolidation, and 5 beneficiary certificates including Hanwha Global Business Fund are excluded from the consolidation.

Summarized financial information of major subsidiaries of the Group as at December 31, 2019 and 2018, is as follows:

(in millions of Korean won)	2019					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehensive income**
Subsidiaries						
Hanwha Asset Management Co., Ltd.	₩ 234,591	₩ 34,701	₩ 199,890	₩ 110,682	₩ 16,604	₩ 5,238
Hanwha 63 City Corporation	53,054	16,382	36,672	99,238	2,226	1,707
Hanwha I&A Co., Ltd.	22,839	10,479	12,360	39,727	1,634	2,119
Hanwha Life Asset Co., Ltd.	24,074	7,395	16,679	45,855	(986)	(986)
Hanwha Financial Asset Co., Ltd.	16,559	4,629	11,930	11,099	(2,099)	(2,098)
Hanwha Life Insurance Company Limited (Vietnam)	496,254	272,034	224,220	174,826	19,971	53,175
PT. Hanwha Life Insurance Indonesia	166,506	16,196	150,310	19,166	1,949	14,103
Hanwha General Insurance Co., Ltd. [1]	18,578,568	16,873,112	1,705,456	8,022,671	(60,967)	247,020
Carrot General Insurance	92,779	2,236	90,543	725	(9,089)	(9,457)
Hanwha Asset Management (USA) Ltd.	12,806	3,140	9,666	5,865	(457)	405
Hanwha Asset Management Pte., Ltd.	5,761	962	4,799	1,127	(1,683)	(1,387)
Hanwha Investment Management Pte., Ltd.	11,519	16	11,503	3	2	209
Beneficiary certificates						
Mirae Asset Global Renewable Energy Private special Asset Investment Trust 2	241,748	295	241,453	20,884	(2,633)	(2,633)

(in millions of Korean won)	2019					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehen-sive income**
Mirae Asset MAPS Global Renewable Energy Private special Asset Investment Trust 1	240,663	450	240,213	35,519	13,449	13,449
Simone Global Venture Special Asset Investment Trust 1	131,730	46	131,684	7,706	1,767	1,767
Shinhan BNPP Global Solar Energy Special Asset Investment Trust (Solar Energy Project)	35,216	83	35,133	3,511	2,894	2,894
Shinhan BNPP Seoul-Munsan Expressway Special Asset Investment Trust	71,434	18	71,416	5,792	5,721	5,721
IGIS KORIF Private Placement Fund 17-1	1,057	19	1,038	214	114	114
IGIS KORIF Private Placement Fund 17-2	1,051	19	1,032	254	154	154
IGIS KORIF Private Placement Fund 17-3	1,015	19	996	214	114	114
IGIS KORIF Private Placement Fund 17-4	1,053	19	1,034	249	140	140
Pinetree Solthree Private Real Estate Investment Trust Security III	14,026	1,064	12,962	832	618	618
Pinetree Solthree Private Real Estate Investment Trust Security V	5,207	-	5,207	2,011	(3,916)	(3,916)
Pinetree Solthree Private Real Estate Investment Trust Security 6-2	68,571	13	68,558	4,198	1,737	1,737
Hana HW Landchip Private Real Estate Feeder Investment Trust No. 1	96,435	5	96,430	20,873	20,259	20,259
Hanwha Prudential US Real Estate Debt Private Real Estate Fund I	155	-	155	1,137	(3,442)	(3,442)
Hanwha AI Global Choice Private Fund 1 (FOF)	290,110	2,427	287,683	43,857	28,443	28,443
Hanwha AI Global Choice Private Fund 2 (FOF)	119,989	1,931	118,058	20,512	(3,923)	(3,923)
Hanwha CONSUMER CREDIT Private Special Asset Investment Trust Security 1	58,602	193	58,409	11,434	1,294	1,294
Hanwha DEBT STRATEGY Private Special Asset Investment Trust Security 6	351,127	5,889	345,238	28,498	5,139	5,139
Hanwha LTI Private Special Asset Investment Trust Security II (infra)	61,105	2	61,103	2,260	2,003	2,003
Hanwha LTI Infra Private Special Asset Investment Trust Security I	367,799	213	367,586	14,027	12,649	12,649

(in millions of Korean won)	2019					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehen-sive income**
Hanwha Tri-circle Infra Special Asset I	159,604	30	159,574	5,764	5,272	5,272
Hanwha Tri-circle Infra Special Asset III	47,578	21	47,557	2,656	2,532	2,532
Samsung VLCC special Asset Investment Trust 1	109,129	639	108,490	13,458	2,188	2,188
Mirae Asset UK Gas Infrastructure Qualified Investors Private Special Asset Investment Trust I	453,723	5,900	447,823	39,491	16,592	16,592
Hanwha Asia Opportunity Private Fund I	52,991	1,080	51,911	1,103	(1,376)	(1,376)
Hanwha Vietnam Legend Feeder Fund C-F	11,911	8	11,903	1,293	1,171	1,171
Hanwha Global Infrastructure Strategy Fund I	401,084	4,815	396,269	42,211	18,776	18,776
Hanwha Global Corporate PE Strategy Private Fund I	128,438	1,291	127,147	6,353	413	413
Hanwha Global Real Estate Strategy Private Fund I	276,365	2,091	274,274	36,839	14,228	14,228
Kyobo-AXA Bongdam-Songsan Expressway Qualified Investors Private Special Asset Investment Trust I	102,842	1,127	101,715	1,657	1,595	1,595
Hanwha Asean Legend Feeder Fund C-F	30,299	43	30,256	3,549	3,246	3,246
Hanwha Global Real Asset Balanced Asset Feeder Investment Trust – Balanced FoF Class CF	54,540	4	54,536	6,421	6,022	6,022
Hanwha Total Portfolio Solution Fund	238,375	56	238,319	33,045	19,871	19,871
Hanwha Lifestyle Private Fund I	55,524	361	55,163	4,875	3,563	3,563
Hanwha Global Corporate PE Strategy Private Fund II	173,002	1,308	171,694	8,186	1,393	1,393
Hanwha Global Real Estate Strategy Private Fund II	331,822	7,582	324,240	105,283	10,558	10,558
Hanwha Global Infrastructure Strategy Fund II	420,556	9,352	411,204	66,044	41,470	41,470
Hanwha LIFEPLUSTDF2020 Feeder Fund C-F	5,828	1	5,827	759	741	741
Hanwha LIFEPLUSTDF2025 Feeder Fund C-F	5,841	1	5,840	886	868	868
Hanwha LIFEPLUSTDF2030 Feeder Fund C-F	5,886	1	5,885	971	950	950
Hanwha LIFEPLUSTDF2035 Feeder Fund C-F	5,927	1	5,926	1,060	1,036	1,036
Hanwha LIFEPLUSTDF2040 Feeder Fund C-F	5,963	1	5,962	1,123	1,099	1,099
Hanwha LIFEPLUSTDF2045	5,983	1	5,982	1,150	1,126	1,126

(in millions of Korean won)	2019					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehen-sive income**
Feeder Fund C-F						
Hanwha Vietnam Opportunity Private Fund I	489,959	1,261	488,698	27,386	20,092	20,092
Hanwha Corporation Exclusive Global Securities Feeder Investment Trust – Bond Class C	158,362	79	158,283	14,022	13,521	13,521
Hanwha Green Love Infra Private 1 (SOC)	25,206	128	25,078	863	589	589
Hanwha photovoltaic power generation private 1	3,588	2	3,586	313	297	297
Hanwha Green Love Private 2 (Infra)	8,621	1	8,620	404	280	280
Hanwha GwangJu Belt-Highway Private 1 (Infra)	45,975	1	45,974	4,168	3,979	3,979
Hanwha Photovoltaic power generation Private 2	62,168	15	62,153	3,674	3,370	3,370
Hanwha Korea Legend 4th Industrial Revolution Fund(Equity) C-F	5,545	2	5,543	815	769	769
Hanwha Global Credit Strategy Private Fund I (FOF)	348,706	1,028	347,678	19,900	14,629	14,629
Gangso Renewable Energy Innovation Fund	83,353	1,918	81,435	760	(822)	(822)
Hanwha Global Business Fund [2]	-	-	-	3	(99)	(99)
Hanwha Asia Legend 4th Industrial Revolution Fund - Feeder Fund (Equity) C-f	2,327	3	2,324	464	405	405
Hanwha SRI Fund(Equity) - Feeder Fund (Equity) C-f	6,435	2	6,433	477	407	407
Hanwha Global Infrastructure Strategy Private Fund 3	327,076	9,110	317,966	98,853	1,070	1,070
Hanwha the third gyeongin highway Private Fund I [3]	389,563	128	389,435	17,406	16,225	16,225
Hyundai IFM Investors Infrastructure Debt SMA	64,054	109	63,945	2,163	(123)	(123)
Hanwha Debt Strategy Private Real Estate Fund 16	34,255	22	34,233	1,247	(128)	(128)
Hanwha ARIRANG US Short-Term Credit Bond ETF [3]	22,054	25	22,029	-	-	-
Hanwha ARIRANG US Long-Term Credit Bond ETF[3]	22,771	22	22,749	-	-	-
Hanwha Asia REITs Fund - Feeder Fund (REITs-FoFs) C-f[3]	15,662	20	15,642	-	-	-

[1] Fair value measurements from business combination are not included in the financial information.

[2] Hanwha Global Business Fund was excluded from the scope of consolidation and reclassified as

an associate.

[3] The entities are included in the scope of consolidation in 2019 and profit or loss after consolidation is only presented.

(in millions of Korean won)	2018					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehen-sive income**
Subsidiaries						
Hanwha Asset Management Co., Ltd.	₩ 216,641	₩ 21,989	₩ 194,652	₩ 100,496	₩ 22,449	₩ 21,632
Hanwha 63 City Corporation	56,709	21,744	34,965	140,080	5,644	5,792
Hanwha I&A Co., Ltd.	17,543	7,301	10,242	35,824	2,089	1,328
Hanwha Life Asset Co., Ltd.	5,193	7,433	(2,240)	33,659	93	128
Hanwha Financial Asset Co., Ltd.	4,384	2,184	2,200	12,166	(496)	(503)
Hanwha Life Insurance Company Limited (Vietnam)	383,032	211,986	171,046	121,483	(7,916)	(4,691)
Hanwha Asset Management (USA) Ltd.	10,330	1,068	9,262	4,040	(766)	(612)
PT. Hanwha Life Insurance Indonesia	154,576	18,369	136,207	17,517	(4,045)	(8,048)
Hanwha General Insurance Co., Ltd. [1]	16,728,616	15,311,762	1,416,854	7,422,945	82,306	66,532
Hanwha Asset Management Pte., Ltd.	6,476	291	6,185	994	(1,513)	(1,352)
Hanwha Investment Management Pte., Ltd.	11,353	59	11,294	2	1	(61)
Beneficiary certificates						
Mirae Asset Global Renewable Energy Private special Asset Investment Trust 2	268,032	262	267,770	62,622	46,027	46,027
Mirae Asset MAPS Global Renewable Energy Private special Asset Investment Trust 1	246,718	444	246,274	24,802	8,427	8,427
Simone Global Venture Special Asset Investment Trust 1	107,201	1,692	105,509	5,250	1,373	1,373
Shinhan BNPP Global Solar Energy Special Asset Investment Trust (Solar Energy Project)	36,696	87	36,609	3,836	2,461	2,461
Shinhan BNPP Seoul-Munsan Expressway Special Asset Investment Trust	71,418	18	71,400	3,871	3,686	3,686
IGIS KORIF Private Placement Fund 17-1	940	17	923	75,788	22,270	22,270
IGIS KORIF Private Placement Fund 17-2	895	17	878	75,661	22,181	22,181
IGIS KORIF Private Placement Fund 17-3	899	17	882	75,666	22,186	22,186
IGIS KORIF Private Placement Fund 17-4	901	17	884	75,666	22,188	22,188
Pinetree Solthree Private Real	13,581	703	12,878	1,370	880	880

(in millions of Korean won)	2018					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehensive income**
Estate Investment Trust Security III						
Pinetree Solthree Private Real Estate Investment Trust Security V	17,884	60	17,824	4,658	4,037	4,037
Pinetree Solthree Private Real Estate Investment Trust Security 6-2	13,164	35	13,129	233	(68)	(131)
Hana HW Landchip Private Real Estate Feeder Investment Trust No. 1	131,317	7	131,310	8,083	7,547	7,547
Hanwha Prudential US Real Estate Debt Private Real Estate Fund I	12,141	350	11,791	2,481	724	724
Hanwha AI Global Choice Private Fund 1 (FOF)	277,066	4,797	272,269	38,455	19,418	19,418
Hanwha AI Global Choice Private Fund 2 (FOF)	145,940	620	145,320	16,613	10,126	10,126
Hanwha CONSUMER CREDIT Private Special Asset Investment Trust Security 1	59,211	1,094	58,117	8,369	1,419	1,419
Hanwha DEBT STRATEGY Private Special Asset Investment Trust Security 6	354,976	7,221	347,755	25,278	8,599	8,599
Hanwha LTI Private Special Asset Investment Trust Security II (infra)	64,750	2	64,748	2,644	2,378	2,378
Hanwha LTI Infra Private Special Asset Investment Trust Security I	389,544	226	389,318	15,148	13,706	13,706
Hanwha Tri-circle Infra Special Asset I	171,617	32	171,585	6,096	5,306	5,306
Hanwha Tri-circle Infra Special Asset III	53,708	23	53,685	3,133	2,986	2,986
Samsung VLCC special Asset Investment Trust 1	108,560	17	108,543	12,471	2,791	2,791
Mirae Asset UK Gas Infrastructure Qualified Investors Private Special Asset Investment Trust I	262,774	646	262,128	30,179	22,624	22,624
Hanwha Asia Opportunity Private Fund I	19,820	1,120	18,700	1,391	13	13
Hanwha Vietnam Legend Feeder Fund C-F	10,740	8	10,732	122	(667)	(667)
Hanwha Global Infrastructure Strategy Fund I	277,770	1,640	276,130	17,923	2,535	2,535
Hanwha Global Corporate PE Strategy Private Fund I	56,467	1,209	55,258	2,288	(1,183)	(1,183)
Hanwha Global Real Estate Strategy Private Fund I	230,442	1,224	229,218	14,061	5,269	5,269
Kyobo-AXA Bongdam-Songsan	43,984	22	43,962	30	8	8

(in millions of Korean won)	2018					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehen-sive income**
Expressway Qualified Investors Private Special Asset Investment Trust I						
Hanwha Asean Legend Feeder Fund C-F	27,049	39	27,010	2	(2,487)	(2,487)
Hanwha Global Real Asset Balanced Asset Feeder Investment Trust – Balanced FoF Class CF	28,381	2	28,379	-	(1,821)	(1,821)
Hanwha Total Portfolio Solution Fund	221,004	51	220,953	13,221	(906)	(906)
Hanwha Lifestyle Private Fund I	47,242	162	47,080	44	(554)	(554)
Hanwha Global Corporate PE Strategy Private Fund II	82,116	243	81,873	647	(158)	(158)
Hanwha Global Real Estate Strategy Private Fund II	118,038	2,018	116,020	5,688	3,045	3,045
Hanwha Global Infrastructure Strategy Fund II	300,770	826	299,944	13,702	2,252	2,252
Hanwha LIFEPLUSTDF2020 Feeder Fund C-F	5,087	1	5,086	-	(113)	(113)
Hanwha LIFEPLUSTDF2025 Feeder Fund C-F	4,973	-	4,973	-	(227)	(227)
Hanwha LIFEPLUSTDF2030 Feeder Fund C-F	4,936	1	4,935	-	(265)	(265)
Hanwha LIFEPLUSTDF2035 Feeder Fund C-F	4,891	1	4,890	1	(310)	(310)
Hanwha LIFEPLUSTDF2040 Feeder Fund C-F	4,864	1	4,863	1	(337)	(337)
Hanwha LIFEPLUSTDF2045 Feeder Fund C-F	4,856	1	4,855	1	(344)	(344)
Hanwha Vietnam Opportunity Private Fund I	469,079	474	468,605	1,275	(3,979)	(3,979)
Hanwha Corporation Exclusive Global Securities Feeder Investment Trust – Bond Class C	105,901	53	105,848	756	448	448
Hanwha Multi Asset Cruise 5.0 Fund - Feeder Fund (Balanced Bond-FoFs) C-i1	5,468	4	5,464	93	(283)	(283)
Hanwha Green Love Infra Private 1 (SOC)	26,400	8	26,392	1,135	855	855
Hanwha photovoltaic power generation private 1	4,658	3	4,655	397	377	377
Hanwha Green Love Private 2 (Infra)	8,843	1	8,842	457	336	336
Hanwha GwangJu Belt-Highway Private 1 (Infra)	47,105	1	47,104	5,304	5,111	5,111
Hanwha Photovoltaic power generation Private 2	70,008	17	69,991	5,444	5,104	5,104

(in millions of Korean won)	2018					
	Total assets	**Total liabilities**	**Total equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehen-sive income**
HANWHA ARIRANG NASDAQ Technology Sector ETF	8,265	14	8,251	835	(172)	(172)
Hanwha Korea Legend 4th Industrial Revolution Fund(Equity) C-F	4,776	2	4,774	-	(1,226)	(1,226)
Hanwha Global Credit Strategy Private Fund I (FOF)	139,762	160	139,602	-	(161)	(1,619)
Hanwha Global Business Fund	8,558	109	8,449	2	(242)	(242)
Gangso Renewable Energy Innovation Fund	72,031	774	71,257	5	(1,652)	(1,652)
ARIRANG KRX300	32,298	20	32,278	2,180	(6,131)	(6,131)
TIGER Preferred share	22,358	26	22,332	1,198	(5,772)	(5,772)
Hanwha Asia Legend 4th Industrial Revolution Fund - Feeder Fund (Equity) C-f	1,857	1	1,856	1	(398)	(398)
Hanwha SRI Fund(Equity) - Feeder Fund (Equity) C-f	10,064	2	10,062	64	62	62

[1] Fair value measurements from business combination are not included in the financial information.

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2019 and 2018, is as follows:

(in millions of Korean won)	2019					
	Non-controlling interest rate (%)	**Beginning Balance**	**Profit (loss) allocated to non-controlling interests**	**Dividends paid to non-controlling interests**	**Adjustment**	**Accumulated non-controlling interests at the end of the year**
Hanwha General Insurance Co., Ltd.	48.6	₩ 1,118,739	₩ (39,117)	₩ (20,588)	₩ 202,383	₩ 1,261,418
Others	0.4	4,019	(2,637)	-	44,616	45,998
		₩ 1,122,758	₩ (41,754)	₩ (20,588)	₩ 246,999	₩ 1,307,416

(in millions of Korean won)	2018					
	Non-controlling interest rate (%)	**Beginning Balance**	**Profit (loss) allocated to non-controlling interests**	**Dividends paid to non-controlling interests**	**Adjustment**	**Accumulated non-controlling interests at the end of the year**
Hanwha General Insurance Co., Ltd.	48.6	₩ 882,706	₩ 31,482	₩ (14,631)	₩ 219,182	₩ 1,118,739
Others	0.4	3,840	(231)	-	410	4,019
		₩ 886,546	₩ 31,251	₩ (14,631)	₩ 219,592	₩ 1,122,758

9. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

Name of company	Main operating activity	Location	Ownership (%)	2019 Acquisition cost	2019 Book amount	2018 Acquisition cost	2018 Book amount
Sino Korea Life Insurance Co.,Ltd(China)	Life insurance	China	50.0	₩ 129,274	₩ 58,474	₩ 86,239	₩ 27,897
NHN Payco Corporation [1]	Other financial supporting service	Korea	6.8	50,000	48,505	-	-
A&D Credit Information Co., Ltd. [1]	Credit investigation	Korea	19.5	1,184	3,459	1,184	2,739
New Airport Highway Co., Ltd. [1]	Management of highway	Korea	3.5	4,335	13,432	4,335	15,837
Gwangju Belt-Highway Inc. [1]	Management of highway	Korea	15.0	7,291	3,959	18,239	8,975
Ulsan Chongchun Co., Ltd. [1]	Maintenance of sewage pipes	Korea	15.0	1,714	1,345	1,714	1,392
Jeonla Railroad Co., Ltd. [1]	Railway Construction and operation	Korea	11.9	12,553	10,614	12,553	13,417
Green Asan Enviro Co., Ltd. [1]	Maintenance of sewage pipes	Korea	15.0	1,407	1,126	1,407	1,142
Green Kimhae Enviro Co., Ltd. [1]	Maintenance of sewage pipes	Korea	14.0	1,411	1,075	1,411	1,099
Chungjung Sangju Co., Ltd. [1]	Maintenance of sewage pipes	Korea	15.0	1,323	986	1,323	1,008
Green Gunsan Gikimi Co., Ltd. [1]	Maintenance of sewage pipes	Korea	15.0	1,287	1,256	1,287	1,239
Jinju Chongchun Co., Ltd. [1]	Maintenance of sewage pipes	Korea	14.2	1,209	994	1,209	1,014
Pangyo SD2 Co., Ltd. [1]	Real estate development and lease	Korea	19.2	24,275	25,407	24,275	25,484
Green Jeju Enviro Corporation[1]	Maintenance of sewage pipes	Korea	13.0	661	469	661	495
Green Dangjin Enviro Co., Ltd. [1]	Maintenance of sewage pipes	Korea	15.0	736	547	736	560
Green Yeosu Enviro Co., Ltd. [1]	Maintenance of sewage pipes	Korea	14.0	658	318	658	346
Namyang Kwangjin C&G Co., Ltd. [1]	Maintenance of sewage pipes	Korea	15.0	520	384	520	393
Nowon School Management Co., Ltd. [1]	School facility construction and management	Korea	14.6	689	695	689	695
Kineungdae BTL Co., Ltd. [1]	School facility construction and management	Korea	14.8	459	483	459	473

(in millions of Korean won)				2019		2018	
Name of company	**Main operating activity**	**Location**	**Ownership (%)**	**Acquisition cost**	**Book amount**	**Acquisition cost**	**Book amount**
Jeju Enviro Corporation[1]	Maintenance of sewage pipes	Korea	7.8	857	459	857	501
Chungjung Seogwipo Co., Ltd. [1]	Maintenance of sewage pipes	Korea	11.4	1,102	1,291	1,102	1,267
2018 Hanwha IoT New Technology Venture Fund [2]	Venture capital investment association	Korea	63.3	7,790	7,219	4,750	4,561
Hanwha Global Business Fund [2]	Venture capital investment association	Korea	60.0	5,580	6,488	-	-
KDB ASIA Private Equity Fund	Management of foreign-invested enterprises	Korea	20.0	6,061	5,807	9,019	8,609
Kofc-Kyobo-Hanwha Growth Champ 2010-6 Private Equity Fund	Investment for subcontractors of corporate Company	Korea	-	-	-	1,926	440
Kofc Posco Hanwha KB Shared Growth No.2 Private Equity Fund [4]	Investment for future growth engines	Korea	22.5	10,178	9,439	10,178	8,786
ChungNam-Hanwha Small & Medium Company Growth Fund	Venture capital investment association	Korea	50.0	7,457	6,779	6,257	5,754
Seoul Global Bio Medical	Investment for future growth engines	Korea	23.3	11,545	10,725	12,175	12,593
Kofc Value up Private Equity Fund [3,4,5]	Asset management	Korea	3.9	2,500	-	2,500	-
2011 KIF-Hanwha IT Venture Fund	Venture capital investment association	Korea	-	-	-	2,574	3,426
2018 Hanwha New Industry Global Plus-up Fund	Investment for future growth engines	Korea	40.0	4,000	3,585	4,000	3,993
Hanwha Japan Equity and REITs Equity Balanced-Fund of Funds C-f	Collective investment schemes	Korea	23.0	1,013	1,118	-	-
Golden Gate Ventures x Hanwha Growth Fund GP, LLC	Collective investment schemes	UK	49.0	30	29	-	-
AI Alliance LLC	Collective investment schemes	USA	33.3	4,519	4,359	2,204	2,086
				₩ 303,618	₩ 230,828	₩ 216,440	₩ 156,220

[1] The Group is considered to be able to exercise significant influence on investee companies, as allowed to participate in decision-making process for financial and business policies at the Board of Director's meeting, and therefore, those investments are classified as investments in associates.

[2] Since the Group does not have ability to direct relevant activities, it is considered the Group does not have control over 2018 Hanwha IoT New Technology Venture Fund and Hanwha Global Business Fund. Therefore, the Group classified such investments as investments in associates.

[3] The Group's subsidiary, Hanwha Asset Management Co., Ltd. has significant influence over Kofc Value up Private Equity Fund as a general partner with unlimited liability. Therefore, the Group classified such beneficiary certificates as investments in associates.

[4] In accordance with the agreement of reserves for the preferential loss regarding distribution of private equity fund property, the Group as general partner will be distributed with contribution after preferentially reserving the provision of loss for up to agreed limit.

[5] In accordance with the Group's business transfer contract, if reserves for the preferential loss described in articles of PEF occur upon the distribution of residual property of Kofc Value up Private Equity Fund, the Group will receive the reserve for the preferential loss within the limit of retention (₩ 2.5 billion) set at the transaction from Hanwha Investment Corp., a related party of the Group and business transferor.

Changes in investments in associates and joint ventures for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019				
		Increase (decrease)			
	Beginning balance	Acquisition/ transfer	Share of profit (loss) of associates and joint ventures	Others	Ending balance
Sino Korea Life Insurance Co., Ltd.(China)	₩ 27,897	₩ 43,035	₩ (12,292)	₩ (166)	₩ 58,474
NHN Payco Corporation	-	50,000	(1,256)	(239)	48,505
A&D Credit Information Co., Ltd.	2,739	-	720	-	3,459
New Airport Highway Co., Ltd.	15,837	-	2,671	(5,075)	13,432
Jeonla Railroad Co., Ltd.	13,417	-	(2,748)	(55)	10,614
Pangyo SD2 Co., Ltd.	25,484	-	1,945	(2,023)	25,407
Kofc-Kyobo-Hanwha Growth Champ 2010-6 Private Equity Fund	440	-	614	(1,054)	-
Kofc Posco Hanwha KB Shared Growth No.2 Private Equity Fund	8,786	-	660	(7)	9,439
2018 Hanwha New Industry Global Plus-up Fund	3,993	-	(408)	-	3,585
ChungNam-Hanwha Small & Medium Company Growth Fund	5,754	1,200	(174)	-	6,779
Seoul Global Biomedical future growth engines fund	12,593	-	1,465	(3,333)	10,725
2011 KIF-Hanwha IT special investment association	3,426	-	1,909	(5,335)	-
AI Alliance LLCE	2,086	2,315	(118)	77	4,359
2018 Hanwha IoT New Technology Venture Fund	4,561	3,040	(382)	-	7,219
Others	29,208	(3,186)	6,485	(3,677)	28,830
	₩ 156,220	₩ 96,403	₩ (909)	₩ (20,887)	₩ 230,828

(in millions of Korean won)	2018				
		Increase (decrease)			
	Beginning balance	Acquisition/ transfer	Share of profit (loss) of associates and joint ventures	Others	Ending balance
Sino Korea Life Insurance Co., Ltd.(China)	₩ 34,674	₩ -	₩ (9,926)	₩ 3,149	₩ 27,897
A&D Credit Information Co., Ltd.	3,071	-	(283)	(49)	2,739
New Airport Highway Co., Ltd.	16,452	-	3,935	(4,550)	15,837
Jeonla Railroad Co., Ltd.	11,981	-	1,381	55	13,417
Pangyo SD2 Co., Ltd.	25,139	-	2,254	(1,909)	25,484
Kofc-Kyobo-Hanwha Growth Champ 2010-6 Private Equity Fund	1,021	-	(50)	(531)	440
Kofc Posco Hanwha KB Shared Growth No.2 Private Equity Fund	10,924	-	(2,107)	(31)	8,786
2018 Hanwha New Industry Global Plus-up Fund	-	4,000	(7)	-	3,993
ChungNam-Hanwha Small & Medium Company Growth Fund	2,330	3,600	(176)	-	5,754
Seoul Global Biomedical future growth engines fund	12,804	-	2,314	(2,525)	12,593
2011 KIF-Hanwha IT special investment association	4,919	-	1,918	(3,411)	3,426
AI Alliance LLCE	-	2,204	(113)	(5)	2,086
2018 Hanwha IoT New Technology Venture Fund	-	4,750	(283)	94	4,561
Others	22,896	14,065	(7,754)	-	29,207
	₩ 146,211	₩ 28,619	₩ (8,897)	₩ (9,713)	₩ 156,220

Summarized financial information of investments in associates and joint ventures as at December 31, 2019, is as follows:

(in millions of Korean won)	2019					
	Assets	**Liabilities**	**Equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehensive income for the year**
Sino Korea Life Insurance Co., Ltd(China)	₩ 428,953	₩ 312,005	₩ 116,948	₩ 139,829	₩ (24,584)	₩ (24,915)
NHN Payco Corporation	330,623	59,165	271,458	27,957	(18,459)	(21,765)
New Airport Highway Co., Ltd. and other 18 entities	2,274,791	1,549,900	724,890	401,076	72,581	72,581
2018 Hanwha IoT New Technology Venture Fund and another entity	21,509	247	21,262	1,918	1,025	1,025
ChungNam-Hanwha Small & Medium Company Growth Fund and other 8 entities	215,020	3,035	211,985	24,057	2,656	(3,459)

(in millions of Korean won)	2018					
	Assets	**Liabilities**	**Equity**	**Operating revenue**	**Profit (loss) for the year**	**Comprehensive income for the year**
Sino Korea Life Insurance Co., Ltd(China)	₩ 282,546	₩ 226,753	₩ 55,793	₩ 102,353	₩ (19,852)	₩ (13,555)
New Airport Highway Co., Ltd. and other 18 entities	2,433,360	1,625,481	807,879	406,420	137,185	137,185
2018 Hanwha IoT New Technology Venture Fund	7,313	111	7,202	3	(298)	(298)
ChungNam-Hanwha Small & Medium Company Growth Fund and other 8 entities	244,613	2,087	242,526	27,776	6,425	15,922

The tables below provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the joint venture or associate.

(in millions of Korean won)	2019				
	Net assets at the end of the year (a)	**Group's share in % (b)**	**Group's share in KRW(a*b)**	**Differences and others**	**Book amount**
Sino Korea Life Insurance Co., Ltd.(China)	₩ 116,948	50.00	₩ 58,474	₩ -	₩ 58,474
NHN Payco Corporation	271,458	6.80	18,467	30,038	48,505
A&D Credit Information Co., Ltd.	17,738	19.50	3,459	-	3,459
New Airport Highway Co., Ltd.	383,782	3.50	13,432	-	13,432
Gwangju Belt-Highway Inc.	26,394	15.00	3,959	-	3,959
Jeonla Railroad Co., Ltd.	88,870	11.94	10,614	-	10,614
Pangyo SD2 Co., Ltd.	124,702	19.23	23,984	1,422	25,407
Kofc Posco Hanwha KB Shared Growth No.2 Private Equity Fund	48,938	22.50	11,011	(1,572)	9,439
2018 Hanwha New Industry Global Plus-up Fund	8,963	40.00	3,585	-	3,585
ChungNam-Hanwha Small & Medium Company Growth Fund	13,559	50.00	6,779	-	6,779
Seoul Global Biomedical future growth engines fund	44,204	23.33	10,314	410	10,725
2018 Hanwha IoT New Technology Venture Fund	11,398	63.33	7,219	-	7,219

(in millions of Korean won)	2018				
	Net assets at the end of the year (a)	**Group's share in % (b)**	**Group's share in KRW(a*b)**	**Differences and others**	**Book amount**
Sino Korea Life Insurance Co., Ltd.(China)	₩ 55,793	50.0	₩ 27,897	₩ -	₩ 27,897
A&D Credit Information Co., Ltd.	14,045	19.5	2,739	-	2,739
New Airport Highway Co., Ltd.	452,486	3.5	15,837	-	15,837
Gwangju Belt-Highway Inc.	19,417	46.2	8,975	-	8,975
Jeonla Railroad Co., Ltd.	111,848	11.9	13,417	-	13,417
Pangyo SD2 Co., Ltd.	125,104	19.2	24,062	1,422	25,484
Kofc-Kyobo-Hanwha Growth Champ 2010-6 Private Equity Fund	2,596	25.0	649	(209)	440
Kofc Posco Hanwha KB Shared Growth No.2 Private Equity Fund	46,033	22.5	10,358	(1,572)	8,786
2018 Hanwha New Industry Global Plus-up Fund	9,982	40.0	3,993	-	3,993
ChungNam-Hanwha Small & Medium Company Growth Fund	11,508	50.0	5,754	-	5,754
Seoul Global Biomedical future growth engines fund	52,211	23.3	12,183	410	12,593
2011 KIF-Hanwha IT special investment association	5,588	22.0	1,229	2,197	3,426
2018 Hanwha IoT New Technology Venture Fund	7,202	63.3	4,561	-	4,561

10. Loans

Loans as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		**2019**		**2018**
Policy loans	₩	7,767,640	₩	7,326,592
Loans secured by real estate		8,413,981		7,814,310
Unsecured loans		9,151,940		7,862,316
Loans secured by third-party guarantee		637,835		672,617
Other loans		2,876,280		3,284,637
		28,847,676		26,960,472
Deferred loan origination fees and costs		54,588		47,756
Unwinding of the discount		(1,570)		(1,720)
Provision for impairment		(87,898)		(91,495)
	₩	28,812,796	₩	26,915,013

Details of provision for impairment of loans as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		**2019**		**2018**
Policy loans	₩	245	₩	214
Loans secured by real estate		3,439		2,066
Unsecured loans		72,240		71,044
Other loans		11,974		18,171
	₩	87,898	₩	91,495

Movements in the provision for impairment of loans for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		**2019**		**2018**
Beginning balance	₩	91,495	₩	92,049
Provision for impaired receivables during the year		109,312		28,934
Receivables written off during the year		(56,839)		(35,871)
Others [1]		(56,070)		6,383
Ending balance	₩	87,898	₩	91,495

[1] Effect of unwinding, reversal of provision for impairment and others.

Details of loans that are impaired and past due as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Receivables not past due	₩	28,437,644	₩	26,368,776
Past due but not impaired		287,608		329,255
Impaired		122,424		262,441
Total [1]	₩	28,847,676	₩	26,960,472

[1] The amounts were classified as principal of loans.

Provision for impairment of past due and impaired loans as at December 31, 2019 and 2018, is as follows:

(in millions of Korean won)	2019				
		Loans		Provision for impairment	Rate of provision
Loans secured by real estate	₩	27,013	₩	1,381	5.11%
Unsecured loans		85,399		35,405	41.46%
Other loans		10,012		10,000	99.88%
	₩	122,424	₩	46,787	38.22%

(in millions of Korean won)	2018				
		Loans		Provision for impairment	Rate of provision
Loans secured by real estate	₩	19,223	₩	874	4.55%
Unsecured loans		205,282		38,357	18.69%
Loans secured by third-party guarantee		37,936		17,905	27.20%
	₩	262,441	₩	57,136	21.77%

The aging analysis of past due but not impaired loans as at December 31, 2019 and 2018, is as follows:

(in millions of Korean won)	2019									
		Less than 30 days		Between 30 and 60 days		Between 60 and 90 days		Over 90 days		Total
Past due but not impaired	₩	224,883	₩	22,869	₩	10,726	₩	29,130	₩	287,608

(in millions of Korean won)	2018									
		Less than 30 days		Between 30 and 60 days		Between 60 and 90 days		Over 90 days		Total
Past due but not impaired	₩	260,771	₩	32,161	₩	9,938	₩	26,385	₩	329,255

11. Derivative Instruments and Hedge Accounting

Details of derivative instruments as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019					
	Trading purpose		Hedging purpose		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Currency forwards [1]	₩ 15,658	₩ 26,181	₩ 50,332	₩ 113,746	₩ 65,990	₩ 139,927
Currency swaps [1]	20,808	15,356	196,654	452,043	217,462	467,399
Stock index options	-	237	-	-	-	237
Credit derivatives	14,535	-	-	-	14,535	-
	₩ 51,001	₩ 41,774	₩ 246,986	₩ 565,789	₩ 297,987	₩ 607,563

[1] The Group entered into a currency forward and currency swap contracts to hedge future fair value change risk and cash flow change risk of bonds in foreign currency, and risk exposure is expected until March 15, 2039.

(in millions of Korean won)	2018					
	Trading purpose		Hedging purpose		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Currency forwards	₩ 17,553	₩ 15,293	₩ 19,117	₩ 108,880	₩ 36,670	₩ 124,173
Currency swaps	1,046	1,136	327,165	196,451	328,211	197,587
Stock index options	-	435	-	-	-	435
Credit derivatives	12,302	-	-	-	12,302	-
	₩ 30,901	₩ 16,864	₩ 346,282	₩ 305,331	₩ 377,183	₩ 322,195

Details of the commitment amount and related gains and losses from derivative instruments for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019						
	Trading purpose			Hedging purpose			
	Unsettled contractual amount	Valuation gain (PL)	Valuation loss (PL)	Unsettled contractual amount	Valuation gain (PL)	Valuation loss (PL)	Balance of valuation gain (loss) (BS)
Currency forwards	₩ 3,151,692	₩ 18,580	₩ 35,595	₩ 6,283,306	₩ 163,011	₩ 123,506	₩ (80,822)
Currency swaps	162,785	21,940	26,139	20,962,502	476,411	704,018	(44,933)
Stock index options	-	198	-	-	-	-	-
Stock index futures	9,520	-	-	-	-	-	-
Credit derivatives	-	4,249	386	-	-	-	-
Interest rate swaps	367,000	-	-	-	-	-	-
	₩ 3,690,997	₩ 44,967	₩ 62,120	₩ 27,245,808	₩ 639,422	₩ 827,524	₩ (125,755)

(in millions of Korean won)	2018						
	Trading purpose			Hedging purpose			
	Unsettled contractual amount	Valuation gain (PL)	Valuation loss (PL)	Unsettled contractual amount	Valuation gain (PL)	Valuation loss (PL)	Balance of valuation gain (loss) (BS)
Currency forwards	₩ 2,060,047	₩ 25,604	₩ 49,389	₩ 4,284,932	₩ 42,672	₩ 129,154	₩ (14,188)
Currency swaps	630,370	7,735	633	21,380,037	317,976	674,309	42,938
Stock index options	-	-	25	-	-	-	-
Credit derivatives	-	1,315	2,605	-	-	-	-
	₩ 2,690,417	₩ 34,654	₩ 52,652	₩ 25,664,969	₩ 360,648	₩ 803,463	₩ 28,750

Gains or losses on valuation of derivatives financial instruments for hedge accounting recognized in accumulated other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019			
	Beginning balance	**Valuation**	**Profit or loss**	**Ending balance**
Gains (losses) on valuation of derivatives financial instruments for hedge accounting [1]	₩ 38,650	₩ (388,307)	₩ 179,889	₩ (169,768)
Effect of deferred tax	(9,900)	54,453	(540)	44,013
	₩ 28,750			₩ (125,755)

(in millions of Korean won)	2018			
	Beginning balance	**Valuation**	**Profit or loss**	**Ending balance**
Gains on valuation of derivatives financial instruments for hedge accounting	₩ 38,375	₩ (407,998)	₩ 408,273	₩ 38,650
Effect of deferred tax	(10,083)	1,869	(1,686)	(9,900)
	₩ 28,292			₩ 28,750

[1] The amount expected to be transferred from derivative valuation gain or loss recognized in accumulated other comprehensive income as a profit or loss within 12 months from January 1, 2020 due to its maturity is ₩ (-)57,382 million (after deferred tax recognized in equity).

For the year ended December 31, 2019, the ineffective portion of derivative financial instruments for cash flow hedge recognized in profit or loss is ₩ 2,646 million (2018: ₩ 5,275 million).

Securities provided as collateral in relation to the derivatives as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won) **Presentee**	**Bond type**	**2019**	**2018**
Industrial Bank of Korea and others	Government and public bonds and others	₩ 1,220,657	₩ 438,429

Offsetting of financial asset and financial liabilities

The Group is subject to enforceable master netting arrangements or similar agreements including liquidation agreements of derivative financial instruments, repurchase agreements in international standards and loan agreements of securities in international standard, related with derivative financial instruments, purchase or sale under repurchase agreements and loan transactions of securities.

The following table presents the recognized financial assets that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at December 31, 2019 and 2018.

(in millions of Korean won)	2019					
				Amounts not offset		
	Gross assets	Gross liabilities set off	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Derivative assets	₩ 283,452	₩ -	₩ 283,452	₩ 238,246	₩ -	₩ 45,206

(in millions of Korean won)	2018					
				Amounts not offset		
	Gross assets	Gross liabilities set off	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Derivative assets	₩ 364,881	₩ -	₩ 364,881	₩ 257,283	₩ -	₩ 107,598

The following table presents the recognized financial liabilities that are subject to enforceable master netting arrangements and other similar agreements as at December 31, 2019 and 2018.

(in millions of Korean won)	2019					
				Amounts not offset		
	Gross liabilities	Gross assets set off	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Derivative liabilities	₩ 607,326	₩ -	₩ 607,326	₩ 565,547	₩ -	₩ 41,779

(in millions of Korean won)	2018					
				Amounts not offset		
	Gross liabilities	Gross assets set off	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Derivative liabilities	₩ 321,760	₩ -	₩ 321,760	₩ 305,848	₩ -	₩ 15,912

12. Insured Assets

As at December 31, 2019, the Group's building is insured by Hanwha General Insurance Co., Ltd and others with the coverage of ₩ 1,661,839 million (2018: ₩ 1,669,991 million). The Group's movable assets including electronic devices are insured by Hanwha General Insurance Co., Ltd and others with the coverage of ₩ 38,874 million (2018: ₩ 37,577 million). The Group carries comprehensive insurance and liability insurance for its vehicles.

13. Property and Equipment, Investment Property, Intangible Assets and Right-of-use Assets

Details of property and equipment, investment properties, intangible assets and right-of-use assets as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019			
	Acquisition cost	**Accumulated depreciation**	**Accumulated Impairment loss**	**Book amount**
Property and equipment				
Land	₩ 960,800	₩ -	₩ (26,303)	₩ 934,497
Buildings	1,200,098	(407,001)	(16,077)	777,020
Structures	643	(316)	(54)	273
Vehicles	943	(840)	-	103
Equipment	335,890	(270,378)	-	65,512
Others	19,116	(1,330)	(9,331)	8,455
Construction in progress	69,186	-	-	69,186
	2,586,676	(679,865)	(51,765)	1,855,046
Investment property				
Land	1,525,313	-	(13,666)	1,511,647
Buildings	1,460,408	(406,745)	(11,773)	1,041,890
	2,985,721	(406,745)	(25,439)	2,553,537
Intangible assets				
Software	143,753	(119,056)	-	24,697
Research and development (R&D) cost	328,148	(233,701)	-	94,447
Others	1,440,997	(385,713)	(11,876)	1,043,408
Goodwill	15,166	-	(15,166)	-
	1,928,064	(738,470)	(27,042)	1,162,552
Right-of-use assets				
Leased properties	168,129	(92,805)	-	75,324
Vehicles	2,714	(1,098)	-	1,616
Equipment	2,656	(817)	-	1,839
	173,499	(94,720)	-	78,779
	₩ 7,673,960	₩ (1,919,800)	₩ (104,246)	₩ 5,649,914

(in millions of Korean won)	2018			
	Acquisition cost	**Accumulated depreciation**	**Accumulated Impairment loss**	**Book amount**
Property and equipment				
Land	₩ 937,606	₩ -	₩ (28,497)	₩ 909,109
Buildings	1,184,211	(373,112)	(18,339)	792,760
Structures	624	(295)	(54)	275
Vehicles	1,468	(1,336)	-	132
Equipment	372,230	(301,524)	-	70,706
Others	18,218	(1,121)	(9,331)	7,766
Construction in progress	22,350	-	-	22,350
	2,536,707	(677,388)	(56,221)	1,803,098
Investment property				
Land	1,493,502	-	(11,472)	1,482,030
Buildings	1,419,311	(374,828)	(9,512)	1,034,971
	2,912,813	(374,828)	(20,984)	2,517,001
Intangible assets				
Software	140,319	(115,927)	-	24,392
Research and development (R&D) cost	274,502	(215,178)	-	59,324
Others	1,428,555	(284,020)	(11,876)	1,132,659
Goodwill	15,166	-	(15,166)	-
	1,858,542	(615,125)	(27,042)	1,216,375
	₩ 7,308,062	₩ (1,667,341)	₩ (104,247)	₩ 5,536,474

Changes in property and equipment, investment properties and intangible assets for the years ended December 31, 2019 and 2018, are summarized as follows:

(in millions of Korean won)	2019								
	Beginning balance	**Acquisition and others**	**Disposal/ cancellation**	**Transfer**	**Depreciation**	**Impairment**	**Changes in scope of consolidation**	**Exchange difference and others**	**Ending balance**
Property and equipment									
Land	₩ 909,109	₩ -	₩ (7)	₩ 25,395	₩ -	₩ -	₩ -	₩ -	₩ 934,497
Buildings	792,761	23,212	(7,316)	(1,247)	(30,069)	-	-	(321)	777,020
Structures	275	20	-	-	(22)	-	-	-	273
Vehicles	132	-	(3)	-	(30)	-	-	4	103
Equipment	70,706	40,005	(190)	885	(27,871)	-	-	(18,023)	65,512
Others	7,766	850	(4)	4	(167)	-	-	6	8,455
Construction in progress	22,350	37,652	-	9,179	-	-	-	5	69,186
	1,803,099	101,739	(7,520)	34,216	(58,159)	-	-	(18,329)	1,855,046
Investment property									
Land	1,482,030	-	(64,494)	(25,395)	-	-	118,738	768	1,511,647
Buildings	1,034,971	-	(19,991)	33,949	(36,631)	-	26,712	2,880	1,041,890
	2,517,001	-	(84,485)	8,554	(36,631)	-	145,450	3,648	2,553,537
Intangible assets									
Software	24,392	8,508	-	963	(9,166)	-	-	-	24,697
Research and development (R&D) cost	59,324	36,724	-	16,928	(18,529)	-	-	-	94,447
Others	1,132,659	6,340	(98)	-	(95,638)	-	-	145	1,043,408
	1,216,375	51,572	(98)	17,891	(123,333)	-	-	145	1,162,552
Right-of-use assets									
Leased properties	-	43,837	(8,656)	651	(52,516)	-	-	92,008	75,324
Vehicles	-	1,232	(179)	-	(1,127)	-	-	1,690	1,616
Equipment	-	114	-	-	(818)	-	-	2,543	1,839
	-	45,183	(8,835)	651	(54,461)	-	-	96,241	78,779
	₩ 5,536,475	₩ 198,494	₩ (100,938)	₩ 61,312	₩ (272,584)	₩ -	₩ 145,450	₩ 81,705	₩ 5,649,914

(in millions of Korean won)	2018								
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Impairment	Changes in scope of consolidation	Exchange difference and others	Ending balance
Property and equipment									
Land	₩ 932,171	₩ 11,329	₩ (32,102)	₩ (2,250)	₩ -	₩ -	₩ (59)	₩ 20	₩ 909,109
Buildings	739,533	17,644	(16,185)	80,302	(28,350)	-	(228)	44	792,760
Structures	258	35	-	-	(18)	-	-	-	275
Vehicles	191	327	(105)	-	(251)	-	(25)	(5)	132
Equipment	72,924	30,590	(353)	2,077	(34,221)	(38)	(349)	76	70,706
Others	7,980	45	(71)	-	(97)	-	(77)	(14)	7,766
Construction in progress	65,706	104,692	-	(147,977)	-	-	-	(71)	22,350
	1,818,763	164,662	(48,816)	(67,848)	(62,937)	(38)	(738)	50	1,803,098
Investment property									
Land	1,479,963	-	(8,173)	9,336	-	-	-	904	1,482,030
Buildings	1,008,756	2,634	(2,520)	61,706	(39,121)	-	-	3,516	1,034,971
	2,488,719	2,634	(10,693)	71,042	(39,121)	-	-	4,420	2,517,001
Intangible assets									
Software	24,874	8,178	(2)	1,758	(8,693)	-	(348)	(1,375)	24,392
Research and development (R&D) cost	56,667	17,346	-	8,962	(17,841)	(5,810)	-	-	59,324
Others	1,232,954	4,478	(1,117)	-	(103,370)	(319)	(428)	461	1,132,659
Goodwill	6,544	-	-	-	-	(6,918)	-	374	-
	1,321,039	30,002	(1,119)	10,720	(129,904)	(13,047)	(776)	(540)	1,216,375
	₩ 5,628,521	₩ 197,298	₩ (60,628)	₩ 13,914	₩ (231,962)	₩ (13,085)	₩ (1,514)	₩ 3,930	₩ 5,536,474

Rental income and expenses related to investment properties for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019	2018
Rental income	₩ 154,893	₩ 142,340
Rental expenses	(46,612)	(34,670)

Details of fair value of investment properties as at December 31, 2019, are as follows:

(in millions of Korean won)	Fair value (a)	Book amount (b)	Fair value ratio (a/b)
Investment properties	₩ 2,778,570	₩ 2,553,537	108.81%

The fair value of investment properties has been determined based on the assessment by the appropriate qualifications and experience of external and independent appraiser. The fair value of investment property is classified as Level 3 on the fair value hierarchy. The fair value of investment property is measured using the comparison method, which calculates price by analyzing real estate subject to valuation and transactions with similar valuation factors. In estimation of the fair value, the Group takes into account the valuation factors such as approach conditions, environmental conditions, individual factors and others.

As at December 31, 2019, with regard to the Group's land and buildings with respect to the leasehold deposit, the mortgage and leasehold rights were set at ₩ 129,141 million (2018: ₩ 97,777 million) and ₩ 17,266 million (2018: ₩ 15,465 million), respectively.

14. Other Financial Assets

Details of other financial assets as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Insurance receivables	₩	651,899	₩	421,598
Non-trade receivables		187,803		160,869
Accrued income		904,973		822,364
Deposits received for guarantees		122,932		139,106
Other receivables		5,816		4,603
Present value discount		(2,305)		(2,283)
Provision for impairment		(109,795)		(94,106)
	₩	1,761,323	₩	1,452,151

Movements in the provision for impairment of other financial assets for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Beginning balance	₩	94,106	₩	127,942
Provision (reversal) for impaired receivables during the year		18,764		(374)
Receivables written off during the year		(4,286)		(35,598)
Others [1]		1,211		2,136
	₩	109,795	₩	94,106

[1] Effect of unwinding, reversal of provision for impairment and others.

15. Other Assets

Details of other assets as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Reinsurance assets	₩	681,459	₩	637,918
Deferred policy acquisition costs		2,308,182		2,228,073
Prepaid expenses		11,353		20,664
Prepaid value added tax		737		195
Advance payments		17,555		13,787
Compensation receivables		29,015		25,521
Others		480		1,578
	₩	3,048,781	₩	2,927,736

Changes in reinsurance assets for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Beginning balance	₩	637,918	₩	580,074
Increase		43,541		57,844
Ending balance	₩	681,459	₩	637,918

Changes in deferred policy acquisition costs for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019					
	Individual insurance					
	Annuity	Whole life, Term life	Endowment	Group insurance	Subsidiaries	Total
Beginning balance	₩ 213,179	₩ 1,439,884	₩ 38,772	₩ 2,014	₩ 534,224	₩ 2,228,073
Deferral	44,661	729,422	7,712	431	550,038	1,332,264
Amortization	(111,244)	(712,761)	(24,204)	(865)	(403,081)	(1,252,155)
Ending balance	₩ 146,596	₩ 1,456,545	₩ 22,280	₩ 1,580	₩ 681,181	₩ 2,308,182

(in millions of Korean won)	2018					
	Individual insurance					
	Annuity	Whole life, Term life	Endowment	Group insurance	Subsidiaries	Total
Beginning balance	₩ 332,717	₩ 1,550,898	₩ 64,519	₩ 1,968	₩ 337,824	₩ 2,287,926
Deferral	53,808	640,377	10,668	950	566,728	1,272,531
Amortization	(173,346)	(751,391)	(36,415)	(904)	(370,328)	(1,332,384)
Ending balance	₩ 213,179	₩ 1,439,884	₩ 38,772	₩ 2,014	₩ 534,224	₩ 2,228,073

Changes in compensation receivables for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019			
	General	Long-term	Automobile	Total
Beginning balance	₩ 3,113	₩ 6,853	₩ 15,555	₩ 25,521
Increase	317	1,790	1,387	3,494
Ending balance	₩ 3,430	₩ 8,643	₩ 16,942	₩ 29,015

(in millions of Korean won)	2018			
	General	Long-term	Automobile	Total
Beginning balance	₩ 3,456	₩ 5,522	₩ 12,443	₩ 21,421
Increase (decrease)	(343)	1,331	3,112	4,100
Ending balance	₩ 3,113	₩ 6,853	₩ 15,555	₩ 25,521

16. Insurance Contract Liabilities

Details of insurance contract liabilities as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Premium reserve	₩	93,148,148	₩	89,225,510
Reserve for outstanding claims		3,449,725		3,079,449
Reserve for unearned premium		737,426		729,218
Reserve for minimum guaranteed benefit		1,513,457		1,139,487
Reserves for policyholders' dividends		314,160		316,617
Reserve for policyholders' profit dividends		69,981		48,793
Reserve for losses on dividend insurance		35,251		33,047
	₩	99,268,148	₩	94,572,121

Changes in insurance contract liabilities for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019						
	Individual insurance						
	Annuity	Whole life, Term life	Endowment	Group insurance	Reserve for policyholders' profit dividends and others	Subsidiaries	Total
Beginning balance	₩ 26,231,602	₩ 41,742,660	₩ 11,155,338	₩ 669,775	₩ 441,258	₩ 14,331,488	₩ 94,572,121
Increase (decrease)	933,663	2,048,733	323,904	(1,682)	63,439	1,327,970	4,696,027
Ending balance	₩ 27,165,265	₩ 43,791,393	₩ 11,479,242	₩ 668,093	₩ 504,697	₩ 15,659,458	₩ 99,268,148

(in millions of Korean won)	2018						
	Individual insurance						
	Annuity	Whole life, Term life	Endowment	Group insurance	Reserve for policyholders' profit dividends and others	Subsidiaries	Total
Beginning balance	₩ 25,492,547	₩ 39,990,987	₩ 10,668,816	₩ 683,967	₩ 417,117	₩ 12,968,613	₩ 90,222,047
Increase (decrease)	739,055	1,751,673	486,522	(14,192)	24,141	1,362,875	4,350,074
Ending balance	₩ 26,231,602	₩ 41,742,660	₩ 11,155,338	₩ 669,775	₩ 441,258	₩ 14,331,488	₩ 94,572,121

17. Liability Adequacy Test

Amendments to Detailed Regulations on Insurance Supervision

The method for assessing the adequacy of insurance contract liabilities was changed according to the amendments to Detailed Regulations on Insurance Supervision. The Group has changed its accounting policies, as the new method is considered to provide more reliable and relevant information about the current estimates of future cash flows. The comparative notes information as at December 31, 2018 and 2017, have been restated to reflect the changes in accounting policies retrospectively.

Contracts subject to liability adequacy test

The Group has performed the adequacy test for premium reserve and unearned premium reserve as at December 31, 2019. Premium reserves are net premium reserves after deducting deferred acquisition cost and policy loans.

Assumptions used for test are as follows:

Life insurance

Description	Applied assumptions	Basis
Discount rate	2.02%~8.35%	Scenario prepared by Korean Financial Supervisory Service.
Business expense rates	Acquisition costs	Calculated to be paid in the future base on the actual data for the recent one year by channels, products and payment methods in accordance with the relevant provisions.
	Maintenance costs	Calculated by channels using the actual statistical data for the recent one year based on the number of contracts held, premium revenue and etc.
Lapse ratio	1.5%~61.5%	Calculated by payment methods, channels, product groups and elapsed time based on our experience in the recent five years.
Risk ratio	13%~179%	Calculated as a ratio of by life tables, product groups, dividend types and elapsed time based on the actual statistical data for the recent five years as a ratio of risk insurance premium to insurance paid.

Non-life insurance

Description	Basis
Discount rate	Risk free interest rate plus risk spread in accordance with 200 scenario prepared by Korean Financial Supervisory Service.
Business expense rates	Calculated to be paid in the future based on the actual statistical data for the recent one year.
Lapse ratio	Calculated by payment methods, channels, product groups and elapsed time based on our experience in the recent five years.
Ratio of risk	Calculated as a ratio of based on the actual statistical data for recent five years as a ratio of risk insurance premium to insurance paid.

Liability adequacy test is performed by insurance contract types, and insurance contract types were classified into insurance with fixed rate insurance, floating rate insurance and variable life insurance. Surplus and deficiency by insurance types and result of liability adequacy test as at December 31, 2019, 2018 and 2017, are as follows:

Life insurance

(in millions of Korean won)	Surplus (deficiency)				
		2018		2017	
	2019	Prior to Change	After Change	Prior to Change	After Change
Fixed-rate insurance					
Participating	₩ (8,773,369)	₩ (8,935,268)	₩ (8,687,011)	₩ (8,086,044)	₩ (7,384,540)
Non-participating	1,913,961	(1,018,136)	(341,668)	(686,282)	(617,605)
Floating-rate insurance					
Participating	(487,666)	(444,894)	(426,690)	(371,605)	(312,290)
Non-participating	7,326,613	7,145,101	7,696,568	8,082,029	8,407,933
Variable life insurance	4,365,603	4,444,349	4,639,937	4,960,514	4,683,300
	₩ 4,345,141	₩ 1,191,152	₩ 2,881,136	₩ 3,898,612	₩ 4,776,797

Non-life insurance

(in millions of Korean won)	Surplus (deficiency)				
		2018		2017	
	2019	Prior to Change	After Change	Prior to Change	After Change
Premium reserve and reserve for unearned premium	₩ 6,403,366	₩ 6,583,404	₩ 6,973,307	₩ 3,404,168	₩ 3,178,158

As a result of liability adequacy test, as at December 31, 2019, no additional insurance premium reserve has generated. The changes in accounting policies have no effect on the consolidated financial statements of prior years, presented herein for comparative purposes.

18. Policyholders' Equity Adjustment

Details of policyholders' equity adjustments as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		**2019**		**2018**
Changes in the fair value of available-for-sale financial assets	₩	1,105,959	₩	49,554
Gains on valuation of held-to-maturity financial assets		-		382,944
Share of other comprehensive income of associates and joint ventures		(965)		(135)
Gain on revaluation of property and equipment		101,765		106,522
	₩	1,206,759	₩	538,885

19. Separate Accounts

Separate account assets and liabilities as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		**2019**		**2018**
Separate account assets before netting	₩	23,221,412	₩	22,583,610
Separate account payables before netting		(1,093,331)		(1,120,938)
Separate account assets after netting [1]		22,128,081		21,462,672
Separate account liabilities before netting		23,143,776		22,572,670
Separate account receivables before netting		(150,587)		(186,198)
Separate account liabilities after netting [1]		22,993,189		22,386,472
Other comprehensive income of separate accounts	₩	77,636	₩	10,940

[1] Before elimination of intra-group transactions.

Statements of financial position of separate accounts as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Assets				
Cash and deposits	₩	420,931	₩	398,839
Securities		19,208,064		19,115,145
Loans		1,882,042		1,502,490
Other assets		617,038		446,055
Other receivables from general account		1,093,337		1,121,081
		23,221,412		22,583,610
Liabilities				
Other liabilities		178,049		148,361
Other payables from general account		150,710		186,183
Insurance contract liabilities		16,613,249		16,204,719
Investment contract liabilities		6,201,768		6,033,407
		23,143,776		22,572,670
Accumulated other comprehensive income		77,636		10,940
	₩	23,221,412	₩	22,583,610

Statements of comprehensive income of separate accounts for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019				2018			
		Guranteed interest contracts		Investment-linked fund		Guranteed interest contracts		Investment-linked fund
Revenue[1]:								
Premium income	₩	-	₩	2,269,088	₩	-	₩	2,521,144
Interest income		127,392		269,084		119,320		316,354
Dividend income		7,005		94,593		9,652		89,176
Commission income		23		2,020		16		1,559
Gain on disposal of securities		25,930		394,645		17,595		247,123
Gain on valuation of securities		291		540,046		1,946		196,110
Gain on settlement of derivatives		858		147,186		2,529		169,671
Gain on valuation of derivatives		9,076		19,364		7,738		7
Gain on foreign currency transaction		30,773		4,143		26,906		3,784
Other income		361		19,932		2,973		25,099
	₩	201,709	₩	3,760,101	₩	188,675	₩	3,570,027

[1] Before elimination of intra-group transactions.

(in millions of Korean won)	2019		2018	
	Guranteed interest contracts	**Investment-linked fund**	**Guranteed interest contracts**	**Investment-linked fund**
Expenses[1]:				
Change in reserves for insurance contracts and investment contracts	₩ 86,305	₩ 432,351	₩ 74,883	₩ (683,871)
Insurance claims paid	23,457	1,754,894	21,486	1,732,215
Minimum guarantee fee	-	78,358	-	71,357
Separate account commission	19,214	891,118	38,800	1,011,684
Commission expense	61	27,589	92	29,411
Taxes and dues	288	11,864	223	14,693
Loss on disposal of securities	17,987	270,530	14,289	514,314
Loss on valuation of securities	10,030	128,250	-	577,628
Loss on settlement of derivatives	30,477	148,564	13,795	234,181
Loss on valuation of derivatives	12,516	9,743	22,312	64,959
Loss on foreign currency transaction	1,175	1,304	2,474	2,065
Other expenses	199	5,536	321	1,391
	₩ 201,709	₩ 3,760,101	₩ 188,675	₩ 3,570,027

[1] Before elimination of intra-group transactions.

Revenue and expenses on performance-based trust accounts (variable insurance contract) are not reflected in the consolidated statements of comprehensive income of general account. However, revenue and expenses on trust accounts guaranteeing the repayment of principal are accounted for as separate account revenue and expenses in the consolidated statements of comprehensive income of general account.

Meanwhile, other comprehensive income after tax from the trust accounts guaranteeing the repayment of principal for the years ended December 31, 2019 and 2018, is ₩ 66,696 million and ₩ 17,483 million, respectively.

As at December 31, 2019, equity securities of ₩ 25,937 million (2018: ₩ 25,793 million) and debt securities of ₩ 288,367 million (2018: ₩ 159,901 million), out of separate accounts assets, are pledged as collateral in relation to derivative transactions of separate accounts.

In accordance with the regulations under the Capital Market and Financial Investment Business act, the Group differentiates trust assets from company's identifiable assets, and recognizes trust commission as operating income when receiving trust commission. As at December 31, 2019, the amount of the trust fund under the contract with the Group is ₩ 2,524,025 million.

20. Net Defined Benefit Liabilities and Assets

Details of net defined benefit liabilities and assets recognized in the statements of financial position as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Present value of defined benefit obligations	₩	512,590	₩	507,408
Fair value of plan assets		(338,788)		(355,534)
Net defined benefit assets		-		(13,679)
Net defined benefit liabilities		173,802		165,553

Movements in the defined benefit obligations for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Beginning balance	₩	507,408	₩	508,313
Current service cost		50,423		52,918
Interest expense		16,822		19,579
Past service cost		551		(2,507)
Benefit payments		(59,099)		(61,482)
Remeasurements:				
Actuarial loss from change in demographic assumptions		1,096		278
Actuarial loss from change in financial assumptions		3,605		19,805
Actuarial gain from experience adjustments		(7,314)		(7,253)
Transfer from and to associates		(1,001)		4,027
Conversion to defined contribution plan		-		(5,786)
Changes in scope of consolidation and others		99		(20,484)
Ending balance	₩	512,590	₩	507,408

Movements in the fair value of plan assets for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Beginning balance	₩	355,534	₩	354,660
Interest income		14,329		17,238
Employers' contributions		52,110		43,430
Benefit payments		(77,107)		(31,341)
Operating management fees		(814)		(724)
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)		(6,824)		(10,935)
Transfer from and to associates		1,462		757
Conversion to defined contribution plan		-		(5,657)
Changes in scope of consolidation and others		98		(11,894)
Ending balance	₩	338,788	₩	355,534

Plan assets as at December 31, 2019 and 2018, consist of:

(in millions of Korean won)	2019			2018		
		Amount	Composition (%)		Amount	Composition (%)
Insurer's guaranteed interest deposits and others	₩	337,679	99.7	₩	354,392	99.7
Contribution to National Pension Fund		1,109	0.3		1,142	0.3
	₩	338,788	100.0	₩	355,534	100.0

The significant actuarial assumptions as at December 31, 2019 and 2018, are as follows:

(in percentage, %)	2019	2018
Discount rate	1.95 ~ 4.01	3.38 ~ 3.97
Expected salary growth rate	2.86 ~ 5.63	3.06 ~ 5.62

The sensitivity of the defined benefit obligations as at December 31, 2019, to changes in the weighted principal assumptions is:

(in millions of Korean won)	Effect on defined benefit obligation			
		1% increase		1% decrease
Discount rate	₩	(30,126)	₩	33,783
Expected salary growth rate		33,789		(30,689)

The expected maturity analysis of undiscounted pension benefits as at December 31, 2019, is as follows:

(in millions of Korean won)	Less than 1 year	1~2 years	2~5 years	Over 5 years	Total
Pension benefits	₩ 48,946	₩ 89,889	₩ 173,300	₩ 797,100	₩ 1,109,235

The weighted average duration of the defined benefit obligations is 6.02~7.51 years.

The Group operates defined contribution retirement pension for employees have rendered service entitling them to the contribution. Plan assets are operated in the form of funds independently from the Group's other assets by the control of fiduciary. If an employee leaves the Group before meeting the qualification to obtain vested rights, his contribution benefit will be decreased due to the early retirement. This also leads to the decrease of contribution benefit payables to the employee by the same amount from the early retirement. The actual expenses on defined contribution retirement pension for the years ended December 31, 2019 and 2018, are ₩ 11,512 million and ₩ 7,122 million, respectively.

The Group provide long-term employee benefits that are entitled to employees with certain level of service periods. The expected cost of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The re-measurement amount derived from change is actuarial assumptions and the difference between actuarial assumption and the actual result is recognized as a profit and loss. This benefit is assessed by an independent and qualified actuary at the end of every year end.

As at December 31, 2019, the Group recognizes liabilities of ₩ 37,670 million (2018: ₩ 31,310 million) and expense of ₩ 11,022 million (2018: ₩ 5,382 million) in connection with the long-term employee benefits.

The significant actuarial assumptions used to calculate the long-term employee benefits as at December 31, 2019 and 2018, are as follows:

(in percentage, %)	2019	2018
Discount rate	2.59 ~ 2.91	2.96 ~ 3.26

The sensitivity of the long-term employee benefits as at December 31, 2019, to changes in the weighted principal assumptions is:

(in millions of Korean won)	Effect on defined benefit obligation	
	1% increase	1% decrease
Discount rate	₩ (2,427)	₩ 2,710

21. Provisions

Changes in provisions for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019				
	Beginning balance	Increase	Decrease	Transfer	Ending balance
Provision for restoration	₩ 14,759	₩ 1,231	₩ (1,226)	₩ 1,086	₩ 15,850
Others	608	320	(33)	(273)	622
	₩ 15,367	₩ 1,551	₩ (1,259)	₩ 813	₩ 16,472

(in millions of Korean won)	2018				
	Beginning balance	Increase	Decrease	Changes in scope of consolidation	Ending balance
Provision for restoration	₩ 14,189	₩ 710	₩ (813)	₩ 673	₩ 14,759
Others	6	608	(6)	-	608
	₩ 14,195	₩ 1,318	₩ (819)	₩ 673	₩ 15,367

22. Other Financial Liabilities

Details of other financial liabilities as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019	2018
Insurance claims payables	₩ 629,489	₩ 407,588
Other payables	218,942	173,037
Accrued expenses	348,785	341,232
Deposits received	138,894	130,866
Borrowings	78,022	121,047
Debentures	477,960	569,270
Lease liabilities	64,083	-
Others	576,226	259,411
	₩ 2,532,401	₩ 2,002,451

Details of borrowings as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

Creditor	Type	Annual interest rate as at December 31, 2019	2019	2018
KB Life Insurance Co., Ltd. and two other financial institutions	Secured loan[1]	3.24% ~ 3.8%	₩ 78,022	₩ 121,047

[1] Certain investment properties amounting to ₩ 82,022 million are provided as collateral in relation to above borrowings.

Details of debentures as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

Category [1]	Issuance date	maturity date	Annual interest rate as at December 31, 2019	2019	2018	Principal and interest payment method
7th public bonds	June 28, 2012	June 28, 2019	-	₩ -	₩ 90,000	Every three months payment / Lump sum payment
8th public bonds	June 7, 2016	June 7, 2023	4.35%	128,000	128,000	Every three months payment / Lump sum payment
11th public bonds	October 31, 2018	October 31, 2028	4.50%	350,000	350,000	Every three months payment / Lump sum payment
Total : par value				478,000	568,000	
Discount on debentures and others				(40)	1,270	
Book amount				₩ 477,960	₩ 569,270	

[1] It is publicly offered non-guaranteed subordinate corporate bonds issued by Hanwha General Insurance Co., Ltd., a subsidiary.

Details of contractual remaining maturity of borrowings and debentures as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019			
	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
Expected repayment	₩ 43,939	₩ 80,968	₩ 593,624	₩ 718,531

(in millions of Korean won)	2018			
	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
Expected repayment	₩ 162,329	₩ 43,917	₩ 672,522	₩ 878,768

23. Other Liabilities

Details of other liabilities as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Value-added tax withheld	₩	1,833	₩	3,050
Advance received		9,902		17,974
Unearned revenues		7,038		8,457
Premium received in advance		135,062		91,581
Others		312		235
	₩	154,147	₩	121,297

24. Share Capital and Additional Paid-in Capital

Details of share capital as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won except for par value)		2019		2018
Number of shares authorized		1,500,000,000 shares		1,500,000,000 shares
Par value	₩	5,000	₩	5,000
The number of ordinary shares issued		868,530,000 shares		868,530,000 shares
Share capital	₩	4,342,650	₩	4,342,650

Details of additional paid-in capital as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Share premium	₩	485,281	₩	485,281
Treasury shares		(924,085)		(924,085)
Others		(19,083)		(19,203)
	₩	(457,887)	₩	(458,007)

25. Hybrid Capital Instruments

Details of hybrid capital instruments as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

Category	Issuance date	Maturity date	Annual interest rate	2019	2018
Bearer, non-guarantee, coupon hybrid capital instruments	April 13, 2017	April 13, 2047	4.582%	₩ 500,000	₩ 500,000
Hybrid capital instruments in foreign currency	April 23, 2018	April 23, 2048	4.700%	1,067,300	1,067,300
Bearer, non-guarantee, coupon hybrid capital instruments	July 4, 2019	July 4, 2049	3.690%	500,000	-
Issuance cost				(11,003)	(9,300)
				₩ 2,056,297	₩ 1,558,000

The hybrid capital instruments are puttable by the Group 5 years after the issuance date and eligible for one-time adjustment of interest rate 10 years after the issuance date. Upon the maturity date, the bond is eligible for extension.

26. Other Components of Equity

Details of other components of equity as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019	2018
Changes in the fair value of available-for-sale financial assets	₩ 2,575,982	₩ (93,994)
Gains on valuation of held-to-maturity financial assets	-	686,062
Gains (losses) on valuation of derivatives financial instruments for hedge accounting	(125,755)	28,750
Share of other comprehensive income of associates and joint ventures	(4,583)	(501)
Other comprehensive income of separate accounts	77,626	10,931
Gain on revaluation of property and equipment	408,428	404,823
Remeasurements of defined benefit obligations	(130,389)	(131,289)
Losses on foreign currency translation of foreign operations	19,288	(26,076)
	₩ 2,820,597	₩ 878,706

27. Retained Earnings

Retained earnings as at December 31, 2019 and 2018, consist of:

(in millions of Korean won)		**2019**		**2018**
Legal reserve	₩	124,084	₩	116,570
Retained earnings before appropriation and others		3,800,117		3,868,979
	₩	3,924,201	₩	3,985,549

Details of reserve for credit losses and catastrophe reserves as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		**2019**		**2018**
Amounts estimated to be appropriated (reversed) for reserve for credit losses	₩	(44,272)	₩	16,186
Amounts estimated to be appropriated for catastrophe reserves		7,884		7,389

Adjusted profit (loss) after provision of reserve for credit losses and catastrophe reserves for the years ended December 31, 2019 and 2018, is as follows:

(in millions of Korean won except per share amounts)		**2019**		**2018**
Profit attributable to the ordinary equity holders of the Parent Company	₩	100,421	₩	415,273
Dividends paid to holders of hybrid capital instruments		(86,630)		(59,672)
		13,791		355,601
Provision (reversal) of provision of reserve for credit losses		44,272		(16,186)
Provision of catastrophe reserves		(7,884)		(7,389)
Adjusted profit for the year after provision (reversal)	₩	50,179	₩	332,026
Adjusted earnings per share after provision (reversal)	₩	67	₩	442

28. Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019							
	Interest income	Dividends income	Commission income	Gain (loss) on valuation	Gain (loss) on disposal	Reversal of impairment loss (impairment loss)	Gain (loss) on foreign currency transaction	Total
Cash and cash equivalents	₩ 19,538	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 15,586	₩ 35,124
Loans and receivables								
Deposits	35,582	-	-	-	-	-	19,103	54,685
Loans	1,300,566	-	6,058	-	-	(109,312)	4,719	1,202,031
Other financial assets	5,067	-	1,788	-	-	(18,764)	10,930	(979)
Securities								
Financial assets at fair value through profit or loss	50,864	158,637	-	74,347	33,776	-	99,992	417,616
Available-for-sale financial assets	740,153	409,058	814	-	470,919	(265,605)	260,332	1,615,671
Held-to-maturity financial assets	836,312	-	15	-	-	-	626,413	1,462,740
Derivative Instruments	-	-	-	(205,255)	(811,553)	-	-	(1,016,808)
Other financial liabilities	-	-	-	-	-	-	(572)	(572)
	₩ 2,988,082	₩ 567,695	₩ 8,675	₩ (130,908)	₩ (306,858)	₩ (393,681)	₩ 1,036,503	₩ 3,769,508

(in millions of Korean won)	2018							
	Interest income	Dividends income	Commission income	Gain (loss) on valuation	Gain (loss) on disposal	Reversal of impairment loss (impairment loss)	Gain (loss) on foreign currency transaction	Total
Cash and cash equivalents	₩ 21,353	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 45,217	₩ 66,570
Loans and receivables								
Deposits	24,284	-	-	-	-	-	16,234	40,518
Loans	1,299,641	-	14,639	-	-	(28,933)	5,720	1,291,067
Other financial assets	4,181	-	992	-	-	374	4,807	10,354
Securities								
Financial assets at fair value through profit or loss	19,878	195,806	-	(2,818)	16,005	-	38,470	267,341
Available-for-sale financial assets	650,362	333,102	2,438	-	131,302	(13,473)	248,063	1,351,794
Held-to-maturity financial assets	1,026,541	-	155	-	-	-	480,142	1,506,838
Derivative Instruments	-	-	-	(460,813)	(340,652)	-	-	(801,465)
Other financial liabilities	-	-	-	-	-	-	(124)	(124)
	₩ 3,046,240	₩ 528,908	₩ 18,224	₩ (463,631)	₩ (193,345)	₩ (42,032)	₩ 838,529	₩ 3,732,893

29. Insurance Premium Income

Insurance premium income for the years ended December 31, 2019 and 2018, is as follows:

(in millions of Korean won)			2019		2018
Life Insurance					
	Annuity	₩	2,221,043	₩	2,189,009
Individual insurance	Whole life, Term life		5,644,580		5,410,773
	Endowment insurance		1,647,441		1,635,843
Group insurance			95,614		97,519
			9,608,678		9,333,144
Non-life Insurance					
General			588,040		464,869
Long-term			4,570,058		4,292,645
Automobile			821,319		835,156
			5,979,417		5,592,670
		₩	15,588,095	₩	14,925,814

30. Reinsurance Income and Expenses

Reinsurance income and expenses for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019											
	Reinsurance income						Reinsurance expense					
		Reinsurance claims recovered		Reinsurance commission income		Total		Reinsurance claims paid		Reinsurance commission expense		Total
Life Insurance												
Individual insurance	₩	137,762	₩	28,037	₩	165,799	₩	(175,514)	₩	-	₩	(175,514)
Group insurance		1,098		-		1,098		(853)		-		(853)
		138,860		28,037		166,897		(176,367)		-		(176,367)
Non-life Insurance												
General		268,507		60,351		328,858		(352,755)		(5,169)		(357,924)
Long-term		813,979		(55,262)		758,717		(804,442)		-		(804,442)
Automobile		201,728		38,607		240,335		(245,516)		-		(245,516)
		1,284,214		43,696		1,327,910		(1,402,713)		(5,169)		(1,407,882)
	₩	1,423,074	₩	71,733	₩	1,494,807	₩	(1,579,080)	₩	(5,169)	₩	(1,584,249)

(in millions of Korean won)	2018					
	Reinsurance income			Reinsurance expense		
	Reinsurance claims recovered	Reinsurance commission income	Total	Reinsurance claims paid	Reinsurance commission expense	Total
Life Insurance						
Individual insurance	₩ 134,500	₩ 32,135	₩ 166,635	₩ (174,964)	₩ -	₩ (174,964)
Group insurance	2,136	-	2,136	(822)	-	(822)
	136,636	32,135	168,771	(175,786)	-	(175,786)
Non-life Insurance						
General	219,303	54,549	273,852	(275,100)	(3,171)	(278,271)
Long-term	670,521	4,182	674,703	(718,997)	-	(718,997)
Automobile	186,484	51,723	238,207	(249,393)	-	(249,393)
	1,076,308	110,454	1,186,762	(1,243,490)	(3,171)	(1,246,661)
	₩ 1,212,944	₩ 142,589	₩ 1,355,533	₩ (1,419,276)	₩ (3,171)	₩ (1,422,447)

31. Other Income

Other income for the years ended December 31, 2019 and 2018, is as follows:

(in millions of Korean won)	2019	2018
Commission income	₩ 24,825	₩ 38,675
Dividend income	567,695	528,907
Rental income	154,893	142,340
Fees on trust accounts	36,192	48,933
Others	53,706	168,870
	₩ 837,311	₩ 927,725

32. Insurance Claims Paid

Insurance claims paid for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019	2018
Insurance expenses	₩ 4,120,613	₩ 3,628,965
Refund expenses	7,716,678	7,517,734
Dividend expenses	42,452	44,472
	₩ 11,879,743	₩ 11,191,171

33. Business Expenses

Business expenses for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Acquisition costs:				
Agent commissions	₩	878,776	₩	777,491
Sales office operations		115,245		108,457
Sales promotional expenses		193,017		208,698
Other acquisition costs		661,312		679,281
Deferred policy acquisition costs		(1,332,263)		(1,272,531)
		516,087		501,396
Maintenance expenses:				
Salaries and bonus		501,743		480,236
Post-employment benefits		61,838		51,428
Employee benefits		130,227		119,762
Rental expenses		29,722		81,686
Information technology		66,480		34,456
Communication expenses		23,514		10,264
Others		655,668		606,230
		1,469,192		1,384,062
	₩	1,985,279	₩	1,885,458

34. Property Administration Expenses

Property administration expenses for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Salaries and bonus	₩	20,358	₩	21,797
Post-employment benefits		5,057		2,243
Employee benefits		4,515		4,029
Communication expenses		4,462		3,836
Repair and maintenance expenses		9,248		6,295
Commission		47,370		49,689
Others		40,022		24,111
	₩	131,032	₩	112,000

35. Claim Handling Costs

Details of claim handling costs for the year ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		**2019**		**2018**
Salaries	₩	48,143	₩	47,620
Post-employment benefits		4,027		4,066
Employee benefits		13,163		11,694
Administrative expenses		82,772		71,711
		148,105		135,091
Recovery of claim handling costs		(31,873)		(27,155)
	₩	116,232	₩	107,936

36. Other Expenses

Other expenses for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		**2019**		**2018**
Depreciation for properties	₩	36,631	₩	39,121
Amortization of intangible assets		123,333		129,904
Discount charge		2,512		2,585
Commission expenses		8,599		8,392
Others		268,801		323,666
	₩	439,876	₩	503,668

37. Non-operating Income and Expenses

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				
Gain on valuation of investments in associates	₩	16,981	₩	12,394
Gain on disposal of investments in associates		420		-
Gain on disposal of property and equipment and investment properties		24,587		5,356
Gain on disposal of intangible assets		-		605
Gain on disposal of assets held for sale		-		5,950
Miscellaneous income		19,833		25,580
	₩	61,821	₩	49,885
Non-operating expenses				
Loss on valuation of investments in associates	₩	17,890	₩	21,292
Loss on disposal of investments in associates		2,656		-
Loss on write-off of property and equipment		-		38
Loss on disposal of property and equipment and investment properties		15,375		10,567
Loss on disposal of intangible assets		2		149
Impairment loss on intangible assets		-		13,047
Donations		10,958		7,025
Miscellaneous loss		29,460		11,548
	₩	76,341	₩	63,666

38. Income Tax Expense

Income tax expense for the years ended December 31, 2019 and 2018, consists of:

(in millions of Korean won)		2019		2018
Current income tax	₩	1,407	₩	490,865
Tax expenses charged directly to equity		1,687		4,608
Origination and reversal of temporary differences		(26,882)		(304,196)
Decrease in deferred tax due to changes in scope of consolidation		-		(1,387)
Income tax expense (benefit)	₩	(23,788)	₩	189,890

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

(in millions of Korean won)		2019		2018
Profit before income tax expense	₩	34,879	₩	636,414
Tax at domestic tax rates applicable to profits in the respective countries		9,141		161,106
Adjustments:				
Income not subject to tax		(28,135)		(30,747)
Expenses not deductible for tax purposes		2,453		1,563
Others		(7,247)		57,968
Income tax expense (benefit)	₩	(23,788)	₩	189,890
Effective tax rate		(68.20%)		29.84%

Details of deferred tax assets and liabilities as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018		Change
Deferred tax assets (liabilities) due to temporary differences	₩	(28,507)	₩	(55,389)	₩	26,882
Deferred tax assets (liabilities) charged or credited directly to equity		(1,049,625)		(313,975)		(735,650)
	₩	(1,078,132)	₩	(369,364)	₩	(708,768)

The difference between the number above and ₩ 1,050,862 million (2018: ₩ 365,626 million), the amount in the consolidated statements of financial position is due to the deferred tax effect regarding accumulated other comprehensive income of separate accounts, which was accounted for as other liabilities in the statements of financial position of separate accounts.

Movements in deferred tax assets (liabilities) for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019		
	Beginning balance	**Increase (decrease)**	**Ending balance**
Post-employment benefit obligations	₩ 875	₩ 2,728	₩ 3,603
Receivables	(5,629)	(5,841)	(11,470)
Accrued income	(99,274)	4,212	(95,062)
Securities	132,766	(344,207)	(211,441)
Insurance contract liabilities	262,756	101,091	363,847
Property and equipment	(136,625)	(2,586)	(139,211)
Derivative financial instruments	6,429	71,924	78,353
Accrued expenses	38,278	41	38,319
Others	(254,965)	199,520	(55,445)
	₩ (55,389)	₩ 26,882	₩ (28,507)

(in millions of Korean won)	2018		
	Beginning balance	**Increase (decrease)**	**Ending balance**
Post-employment benefit obligations	₩ 910	₩ (35)	₩ 875
Receivables	(3,605)	(2,024)	(5,629)
Accrued income	(102,939)	3,665	(99,274)
Securities	139,407	(6,641)	132,766
Insurance contract liabilities	253,150	9,606	262,756
Property and equipment	(151,713)	15,088	(136,625)
Derivative financial instruments	(317,013)	323,442	6,429
Accrued expenses	43,294	(5,016)	38,278
Others	(221,076)	(33,889)	(254,965)
	₩ (359,585)	₩ 304,196	₩ (55,389)

The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Current tax charged directly to equity:				
Remeasurements of the net defined benefit liabilities	₩	1,687	₩	4,608
Deferred tax charged directly to equity:				
Changes in the fair value of available-for-sale financial assets		(998,876)		88,462
Gains on valuation of held-to-maturity financial assets		233,402		51,682
Accumulated other comprehensive income of associates and joint ventures		357		(1,423)
Gains on valuation of derivatives financial instruments for hedge accounting		54,151		144
Accumulated other comprehensive income of separate accounts		(23,533)		(6,049)
Gains (losses) on revaluation of property and equipment		(1,151)		583
	₩	(735,650)	₩	133,399

Details of unrecognized deductible temporary differences as deferred tax assets as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Valuation of investments in associates	₩	37,599	₩	40,881

39. Earnings per Share

Basic earnings per share for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won except for number of shares and per share amounts)		2019		2018
Profit attributable to the equity holders of the Parent Company	₩	100,421	₩	415,273
Dividends paid to holders of hybrid capital instruments		(86,630)		(59,672)
Profit attributable to the ordinary equity holders of the Parent Company		13,791		355,601
Weighted average number of ordinary shares outstanding [1]		751,390,250 shares		751,390,250 shares
Basic earnings per share [2]	₩	18	₩	473

[1] Treasury shares are excluded in calculating the weighted average number of ordinary shares outstanding.
[2] Since there is no diluted effect of the dilutive potential ordinary shares in 2019 and 2018, basic earnings per share is identical to diluted earnings per share.

40. Related-Party Transactions

Details of the related parties of the Group and affiliates of large business group as at December 31, 2019 and 2018, are as follows:

Description	2019 Name of entity
Parent Company	Hanwha Corporation
Related parties who have significant influence	Hanwha Engineering & Construction Corp.
Associates and joint ventures	New Airport Highway Co., Ltd., and others
Others and affiliates of large business group	Hanwha Systems Co., Ltd.
	Hanwha Eagles Professional Baseball Club Co., Ltd.
	Hanwha Galleria
	Hanwha Hotels & Resorts Co., Ltd., and others
	Hanwha Solutions Corporation[1] and others

[1] In January 2020, Hanwha Chemical Corporation changed its name to Hanwha Solutions Corporation due to merger with Hanwha Q CELLS & Advanced Materials Co., Ltd.

Description	2018 Name of entity
Parent Company	Hanwha Corporation
Related parties who have significant influence	Hanwha Engineering & Construction Corp.
Associates and joint ventures	New Airport Highway Co., Ltd., and others
Others and affiliates of large business group	Hanwha Aerospace Co., Ltd.[1]
	Hanwha Investment &Securities Co., Ltd.
	Hanwha Galleria
	Hanwha Hotels & Resorts Co., Ltd., and others

[1] Hanwha Techwin Co., Ltd. was split into Hanwha Aerospace Co., Ltd. (existing corporation) and Hanwha Techwin Co., Ltd. (newly established corporation) in April 2018.

Significant transactions between the Group and related parties or affiliates of large business group for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

		2019				
		Revenue				
Type	Name of entity	Rental income	Service income	Interest income	Other income	Total
Parent Company	Hanwha Corporation	₩ 10,069	₩ 251	₩ -	₩ 5,241	₩ 15,561
Related parties who have significant influence	Hanwha Engineering & Construction Corp.	909	172	-	7,705	8,786
Associates and joint ventures	Jeonla Railroad Co., Ltd.	-	-	3,138	-	3,138
	New Airport Highway Co., Ltd.	-	-	1,257	5,144	6,401
	A&D Credit Information Co., Ltd.	-	-	-	9	9
	Pangyo SD2 Co., Ltd.	-	-	1,360	2,031	3,391
	Others (associates)	-	178	5,353	2,615	8,146
		-	178	11,108	9,799	21,085
Others and affiliates of large business group	Hanwha Systems Co., Ltd.	4,326	59	-	1,448	5,833
	Hanwha Eagles Professional Baseball Club Co., Ltd.	-	-	-	88	88
	Hanwha Galleria Co., Ltd.	2,268	16	-	684	2,968
	Hanwha Hotels & Resorts Co., Ltd.	12,975	2,901	-	4,167	20,043
	Hanwha Solutions Corporation	5,217	187	-	7,074	12,478
	Others	35,321	1,723	2,262	39,001	78,307
		60,107	4,886	2,262	52,462	119,717
		₩ 71,085	₩ 5,487	₩ 13,370	₩ 75,207	₩ 165,149

(in millions of Korean won)		2019				
		Expenses				
Type	Name of entity	Insurance claims paid	Business and administration expenses	Other expenses	Acquisitions of property and equipment and intangible assets	Total
Parent Company	Hanwha Corporation	₩ 706	₩ 67,697	₩ 809	₩ -	₩ 69,212
Related parties who have significant influence	Hanwha Engineering & Construction Corp.	5,933	-	-	48,560	54,493
Associates and joint ventures	Jeonla Railroad Co., Ltd.	-	-	-	-	-
	New Airport Highway Co., Ltd.	3	-	-	-	3
	A&D Credit Information Co., Ltd.	16	7,974	-	-	7,990
	Pangyo SD2 Co., Ltd.	-	-	-	-	-
	Others (associates)	-	38	-	-	38
		19	8,012	-	-	8,031
Others and affiliates of large business group	Hanwha Systems Co., Ltd.	675	65,362	1,740	1,875	69,652
	Hanwha Eagles Professional Baseball Club Co., Ltd.	62	7,333	104	-	7,499
	Hanwha Galleria Co., Ltd.	50	7,894	87	-	8,031
	Hanwha Hotels & Resorts Co., Ltd.	615	4,338	225	1,108	6,286
	Hanwha Solutions Corporation	2,183	-	-	-	2,183
	Others	7,169	14,091	7,567	-	28,827
		10,754	99,018	9,723	2,983	122,478
		₩ 17,412	₩ 174,727	₩ 10,532	₩ 51,543	₩ 254,214

(in millions of Korean won)

		2018					
		Revenue					
Type	Name of entity	Rental income	Service income	Interest income	Other income	Disposal of property and equipment and intangible assets	Total
Parent Company	Hanwha Corporation	₩ 11,271	₩ 5,494	₩ -	₩ 7,169	₩ -	₩ 23,934
Related parties who have significant influence	Hanwha Engineering & Construction Corp.	884	951	2,025	8,333	-	12,193
Associates and joint ventures	Jeonla Railroad Co., Ltd.	-	-	3,317	-	-	3,317
	New Airport Highway Co., Ltd.	-	-	1,276	4,616	-	5,892
	A&D Credit Information Co., Ltd.	-	-	-	49	-	49
	Pangyo SD2 Co., Ltd.	-	-	1,360	1,956	-	3,316
	Others	-	220	5,668	3,819	-	9,707
		-	220	11,621	10,440	-	22,281
Others and affiliates of large business group	Hanwha Aerospace Co., Ltd.	1,189	4,911	-	1,875	-	7,975
	Hanwha Investment &Securities Co., Ltd.	10,571	78	-	1,553	-	12,202
	Hanwha Galleria Co., Ltd.	2,262	18,344	-	919	-	21,525
	Hanwha Hotels & Resorts Co., Ltd.	13,133	21,314	-	2,667	-	37,114
	Others	33,322	25,740	866	49,849	-	109,777
		60,477	70,387	866	56,863	-	188,593
		₩ 72,632	₩ 77,052	₩ 14,512	₩ 82,805	₩ -	₩ 247,001

(in millions of Korean won)

		2018				
		Expenses				
Type	Name of entity	Insurance claims paid	Business and administration expenses	Other expenses	Acquisitions of property and equipment and intangible assets	Total
Parent Company	Hanwha Corporation	₩ 340	₩ 84,380	₩ 1,270	₩ 186	₩ 86,176
Related parties who have significant influence	Hanwha Engineering & Construction Corp.	801	-	-	83,212	84,013
Associates and joint ventures	Jeonla Railroad Co., Ltd.	-	-	-	-	-
	New Airport Highway Co., Ltd.	-	-	-	-	-
	A&D Credit Information Co., Ltd.	-	7,963	-	-	7,963
	Pangyo SD2 Co., Ltd.	-	-	-	-	-
	Others	-	-	-	-	-
		-	7,963	-	-	7,963
Others and affiliates of large business group	Hanwha Aerospace Co., Ltd.	388	-	3	-	391
	Hanwha Investment &Securities Co., Ltd.	1,041	634	1,848	-	3,523
	Hanwha Galleria Co., Ltd.	58	4,844	599	-	5,501
	Hanwha Hotels & Resorts Co., Ltd.	603	4,369	852	8,047	13,871
	Others	80,639	82,187	5,506	-	168,332
		82,729	92,034	8,808	8,047	191,618
		₩ 83,870	₩ 184,377	₩ 10,078	₩ 91,445	₩ 369,770

Significant fund transactions between the Group and related parties or affiliates of the large business group for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019							
	Loan transaction		**Borrowing transaction**		**Cash contribution**		**Dividend**	
	Loans	**Collection**	**Borrowings**	**Repayments**	**Investment**	**Collection**	**Paid**	**Received**
Parent Company:								
Hanwha Corporation	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 15,760	₩ -
Related parties with significant influence:								
Hanwha Engineering & Construction Corp.[1]	-	-	-	-	-	-	21,792	-
Associates and joint ventures:								
Sino Korea Life Insurance Co.,Ltd(China)	-	-	-	-	43,035	-	-	-
Green Kimhae Enviro Co., Ltd.	-	812	-	-	-	-	-	-
Jeonla Railroad Co., Ltd.	-	6,989	-	-	-	-	-	-
ULSAN CHONGCHUN Co., Ltd.	-	930	-	-	-	-	-	-
New Airport Highway Co., Ltd.	-	464	-	-	-	-	-	5,075
NHN Payco Corporation	-	-	-	-	50,000	-	-	-
Others (associates)	-	7,288	-	-	7,724	6,745	-	4,624
	-	16,483	-	-	100,759	6,745	-	9,699
Others and affiliates of large business group:								
Hanwha Galleria Timeworld Co., Ltd.	-	-	-	-	-	-	1,520	-
Hanwha Systems Co., Ltd.	-	-	-	1,896	-	-	-	-
Others	-	-	-	267	-	-	-	-
	-	-	-	2,163	-	-	1,520	-
	₩ -	₩ 16,483	₩ -	₩ 2,163	₩ 100,759	₩ 6,745	₩ 39,072	₩ 9,699

(in millions of Korean won)	2018					
	Loan transaction		Cash contribution		Dividend	
	Loans	Collection	Investment	Collection	Paid	Received
Parent Company:						
Hanwha Corporation	₩ -	₩ -	₩ -	₩ -	₩ 22,064	₩ -
Related parties with significant influence:						
Hanwha Engineering & Construction Corp.[1]	-	80,000	-	-	30,509	-
Associates and joint ventures:						
Green Kimhae Enviro Co., Ltd.	-	943	-	-	-	-
Jeonla Railroad Co., Ltd.	-	8,662	-	-	-	-
ULSAN CHONGCHUN Co., Ltd.	-	1,141	-	-	-	-
New Airport Highway Co., Ltd.	-	398	-	-	-	4,550
Others (associates)	-	8,227	17,671	5,070	-	5,542
	-	19,371	17,671	5,070	-	10,092
Others and affiliates of large business group:						
Hanwha Galleria Timeworld Co., Ltd.	-	-	-	-	2,129	-
	₩ -	₩ 99,371	₩ 17,671	₩ 5,070	₩ 54,702	₩ 10,092

[1] During the year ended December 31, 2018, the Group disposed of Hanwha Estate Co., Ltd., a subsidiary of the Group, to Hanwha Engineering & Construction Corp. for ₩ 21,811 million.

Outstanding balances arising from sales/purchases of goods and services as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019					
	Receivables			Payables		
	Loans	Other receivables	Total	Leasehold deposit received	Other payables	Total
Parent Company:						
Hanwha Corporation	₩ -	₩ 368	₩ 368	₩ 6,724	₩ 16,629	₩ 23,353
Related parties with significant influence:						
Hanwha Engineering & Construction Corp.	-	756	756	-	4,275	4,275
Associates and joint ventures:						
Jeonla Railroad Co., Ltd.	78,531	8	78,539	-	40	40
New Airport Highway Co., Ltd.	12,940	120	13,060	-	664	664
A&D credit information. Co., Ltd.	-	65	65	-	2,490	2,490
Pangyo SD2 Co., Ltd.	40,000	34	40,034	-	-	-
ULSAN CHONGCHUN Co., Ltd.	11,611	1	11,612	-	-	-
Others (associates)	104,230	252	104,482	-	372	372
	247,312	480	247,792	-	3,566	3,566
Others and affiliates of large business group:						
Hanwha Systems Co., Ltd.	-	147	147	2,371	52,861	55,232
Hanwha Eagles Professional Baseball Club Co., Ltd.	-	2,180	2,180	-	2,638	2,638
Hanwha Galleria Co., Ltd.	-	18	18	1,118	1,290	2,408
Hanwha Hotels & Resorts Co., Ltd.	-	37,500	37,500	5,587	2,839	8,426
Hanwha Solutions Corporation	-	361	361	2,625	85,662	88,287
Others	35,512	2,473	37,985	24,141	295,263	319,404
	35,512	42,679	78,191	35,842	440,553	476,395
	₩ 282,824	₩ 44,283	₩ 327,107	₩ 42,566	₩ 465,023	₩ 507,589

(in millions of Korean won)	2018					
	Receivables			Payables		
	Loans	Other receivables	Total	Leasehold deposit received	Other payables	Total
Parent Company:						
Hanwha Corporation	₩ -	₩ 175	₩ 175	₩ 7,341	₩ 16,159	₩ 23,500
Related parties with significant influence:						
Hanwha Engineering & Construction Corp.	-	9,706	9,706	-	4,795	4,795
Associates and joint ventures:						
Jeonla Railroad Co., Ltd.	85,520	9	85,529	-	55	55
New Airport Highway Co., Ltd.	13,404	121	13,525	-	-	-
A&D credit information. Co., Ltd.	-	202	202	-	1,576	1,576
Pangyo SD2 Co., Ltd.	40,000	30	40,030	-	-	-
ULSAN CHONGCHUN Co., Ltd.	12,541	1	12,542	-	-	-
Others	112,331	277	112,608	-	383	383
	263,796	640	264,436	-	2,014	2,014
Others and affiliates of large business group:						
Hanwha Aerospace Co., Ltd.	-	2	2	170	12,479	12,649
Hanwha Investment &Securities Co., Ltd.	-	2,521	2,521	6,457	19,077	25,534
Hanwha Galleria Co., Ltd.	-	521	521	1,137	759	1,896
Hanwha Hotels & Resorts Co., Ltd.	-	37,445	37,445	5,924	3,036	8,960
Others	31,522	3,923	35,445	16,551	386,100	402,651
	31,522	44,411	75,933	30,239	421,451	451,690
	₩ 295,318	₩ 54,932	₩ 350,250	₩ 37,580	₩ 444,419	₩ 481,999

Details of transactions of receivables through major related parties for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019	
	Selling	Buying
Hanwha Investment &Securities Co., Ltd.	₩ 435,601	₩ 1,027,157

(in millions of Korean won)	2018	
	Selling	Buying
Hanwha Investment &Securities Co., Ltd.	₩ 1,799,562	₩ 2,245,073

Key management refers to the registered executives who have the duties and responsibilities over the planning, operational, and managerial activities of the Group. The compensation paid or payable to key management for employee services for the years ended December 31, 2019 and 2018, consists of the following:

(in millions of Korean won)		**2019**		**2018**
Short-term employee benefits	₩	2,022	₩	1,442
Post-employment benefits		333		255
	₩	2,355	₩	1,697

The dividend paid to the largest shareholder and key management for the years ended December 31, 2019 and 2018, is ₩ 21,808 million and ₩ 30,524 million, respectively.

41. Contingencies and Commitments

Pending litigations

The Group is involved in 612 litigations as a defendant with total claim amounts of ₩ 75,524 million, including involved insurance claims of ₩ 71,571 million. In addition, the Group is involved in 604 litigations as a plaintiff with total claim amount of ₩ 47,191 million, including involved damage suit claims of ₩ 28,941 million as at December 31, 2019. Presently, the cases are still pending and the final resolution cannot yet be determined.

Borrowing agreements with banks

The following table summarizes the outstanding borrowing agreements with banks as at December 31, 2019:

(in millions of Korean won)	**Details**		**Limit amount**
KEB Hana bank	Daily bank overdraft [1]	₩	30,000
	General bank overdraft		1,000
	General loan		500
	General purchase loan [2]		1,000
KB Kookmin Bank	General loan		1,500
Shinhan Bank	Daily bank overdraft [1]		63,500
	General bank overdraft		6,000
Standard Chartered Bank Korea	Daily bank overdraft [1]		54,000

[1] In relation to these agreements, government and public bonds of the Group (face value: ₩ 130,000 million) are pledged as collateral amounting to ₩ 140,000 million.

[2] In relation to these agreements, deposit and installment deposit of the Group are pledged as collateral amounting to ₩ 50 million.

Other commitments

Details of provided guarantees as at December 31, 2019, are as follows:

(in millions of Korean won)	Guaranteed amount		Guaranteed by	Description
	2019	2018		
Hanwha Life Insurance Co., Ltd. and others	₩ 4,163	₩ 8,037	Seoul Guarantee Insurance Co., Ltd.	Deposits and others
Hanwha General Insurance Co., Ltd.	11,377	12,089	Seoul Guarantee Insurance Co., Ltd.	Deposits and others
Hanwha Financial Asset Co., Ltd.	235	165	Seoul Guarantee Insurance Co., Ltd.	Performance guarantee
Hanwha Life Asset Co., Ltd.	664	481	Seoul Guarantee Insurance Co., Ltd.	Performance guarantee
Hanwha 63 City Corporation	2,372	6,174	Seoul Guarantee Insurance Co., Ltd.	Performance guarantee and others
Hanwha Asset Management Co., Ltd.	33	-	Seoul Guarantee Insurance Co., Ltd.	Performance guarantee

Details of other commitments as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019	2018
Loan commitments	₩ 3,961,792	₩ 2,901,529
Investment commitments	3,223,266	4,540,348
	₩ 7,185,058	₩ 7,441,878

As at December 31, 2019, the capital expenditure contracted but not recognized as liability in relation to property and equipment and investment property amounts to ₩ 25,915 million (2018: ₩ 78,580 million).

Operating Lease

The future minimum lease payments arising from the non-cancellable operating lease contracts as at December 31, 2018, are as follows

(in millions of Korean won)	2018
Within 1 year	₩ 58,219
1 - 5 years	24,249
	₩ 82,468

The Group entered into a non-cancellable operating lease agreement for investment property held by the Group. The future minimum lease payments expected to be received in relation to the operating lease agreement for investment property as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Within 1 year	₩	84,434	₩	72,979
1 - 5 years		93,779		84,207
Over 5 Years		12,401		14,032
	₩	190,614	₩	171,218

As at December 31, 2019, there is controversy regarding certain annuity pension payments of the immediate annuity products that the Group has sold in the past, and the amount and timing of the payment cannot be determined.

Details of outwards and inwards agreements the Group enters into for general, long-term and automobile insurance of Hanwha General Insurance Co., Ltd., a subsidiary, are as follows:

	Reinsurance company	Ratio	Insurance product
Proportional	Korean Reinsurance Company	10~30% of VaR	Auto insurance (excluding joint risk)
	Korean Reinsurance Company and others	15~70% of VaR	Fire insurance
	Korean Reinsurance Company and others	15~70% of VaR	Marine insurance
	Korean Reinsurance Company and others	20~90% of VaR	Special insurance
	Korean Reinsurance Company	25~65% of VaR	Long-term insurance (property, accident, disease and others)
	SCOR RE and others	5~60% of VaR	Long-term insurance (accident, disease and others)
Non-proportional	Korean Reinsurance Company and others	Indefinite more than ₩ 0.875 billion	Auto insurance (personal indemnification)
	Korean Reinsurance Company	₩ 1.26 billion ~ ₩ 5.75 billion	Auto insurance (auto-collateralisation)
	Korean Reinsurance Company	₩ 0.6 billion ~ ₩ 98 billion	Long-term insurance (property and accident)
	SWISS RE and others	0~100% of excess amount	Other general

Sales agency agreement of beneficiary certificates

Sales agencies sell beneficiary certificates which represent beneficial interest of trust properties to beneficiaries in accordance with sales agency agreement between the Group and sales agencies. As at December 31, 2019, the Group entered into sales agency agreement of beneficiary certificates with 61 financial institutions including Hanwha Investment &Securities Co., Ltd.

42. Cash Generated from Operations

Adjustments for income and expenses of cash flows from operating activities for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Change in reserves for insurance contracts	₩	4,645,780	₩	4,289,371
Amortization of deferred policy acquisition costs		1,252,155		1,332,384
Post-employment benefits		53,467		51,693
Impairment loss on loans and other receivables		128,076		28,559
Depreciation		149,251		102,058
Amortization		123,333		129,904
Loss on valuation and disposal of securities		147,659		185,374
Impairment loss on available-for-sale financial assets		265,605		13,473
Loss on foreign currency translation		201,271		127,454
Loss on valuation and transaction of derivatives		1,767,389		1,265,267
Interest expenses		31,225		18,220
Loss on valuation of investments in associates		17,890		21,292
Loss on disposal of investments in associates		2,656		-
Loss on disposal of property and equipment and investment properties		15,376		10,567
Loss on impairment of property and equipment		-		38
Loss on disposal of intangible asset		2		149
Loss on impairment of intangible asset		-		13,047
Income tax expense		(23,788)		189,890
Loss on restoration cost		201		125
Other expenses		-		8,552
Other income		(2,155)		-
Interest income		(2,988,083)		(3,046,240)
Compensation income		(3,495)		(4,099)
Dividend income		(567,695)		(528,907)
Gain on disposal and valuation of securities		(726,701)		(329,862)
Gain on foreign currency translation		(1,071,632)		(891,599)
Gain on valuation and transaction of derivatives		(750,582)		(463,802)
Gain on valuation of investments in associates		(16,981)		(12,394)
Gain on disposal of investments in associates		(420)		-
Gain on disposal of assets held for sale		-		(5,950)
Gain on disposal of property and equipment and investment properties		(24,587)		(5,355)
Gain on disposal of intangible asset		-		(605)
Gain on restoration cost		(121)		(9)
	₩	2,625,094	₩	2,498,595

Changes in operating assets and liabilities for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		**2019**	**2018**
Increase in deposits	₩	(205,257)	(135,397)
Increase in financial assets at fair value through profit or loss		(1,050,507)	(2,340,325)
Increase in loans		(1,982,118)	(1,504,502)
Changes in derivative instruments		(115,767)	40,561
Decrease (increase) in other financial assets		(224,158)	116,199
Increase in other assets		(1,326,622)	(1,288,776)
Decrease in net defined benefit liabilities		(35,748)	(69,889)
Increase in other financial liabilities		288,355	202,464
Decrease in provisions		(304)	(129)
Increase (decrease) in other liabilities		31,751	(38,380)
Changes in separate accounts		(17,962)	429,953
	₩	(4,638,338)	(4,588,221)

Significant transactions not affecting cash flows for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		**2019**		**2018**
Transfer from property and equipment to investment properties	₩	(33,949)	₩	(71,042)
Transfer from construction-in-progress to buildings		32,702		147,977
Changes in policyholders' equity adjustments		667,873		(120,849)
Changes in deferred taxes charged directly to equity		690,402		(134,048)
Changes in the fair value of on available-for-sale financial assets		2,267,501		(279,579)
Changes in gains (losses) on valuation of held-to-maturity financial assets		(72,581)		(89,035)
Changes in gains (losses) on valuation of derivatives financial instruments for hedge accounting		(159,439)		458
Changes in share of other comprehensive income of associates and joint ventures		(4,435)		2,838
Changes in other comprehensive income of separate accounts		66,696		17,474
Changes in gain on revaluation of property and equipment		3,605		(1,827)
Changes in remeasurements of net defined benefit liabilities		(2,661)		(18,652)
Loans and other receivables written off		61,124		71,469
Transfer from available-for-sale financial assets to held-to-maturity financial assets		-		2,201,860
Transfer from held-to-maturity financial assets to available-for-sale financial assets		37,917,956		-
Non-cash transactions related to sales of securities		10,494		-
Changes in right-of-use assets		133,240		-

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				
			Non-cash flow		
	Beginning Balance	Cash flows from financing activities	Amortization	Translation of foreign operation and others	Ending balance
Borrowings and debentures	₩ 690,317	₩ (135,100)	₩ (1,221)	₩ 1,986	₩ 555,982
Lease liabilities	-	(52,221)	1,739	114,566	64,083
Other financial liabilities	238,059	89,214	-	224,339	551,612
Lease deposit received	130,866	2,134	787	5,107	138,894

(in millions of Korean won)	2018				
			Non-cash flow		
	Beginning Balance	Cash flows from financing activities	Amortization	Translation of foreign operation and others	Ending balance
Borrowings	₩ 341,896	₩ 348,854	₩ (2,767)	₩ 2,334	₩ 690,317

43. Unconsolidated Structured Entities

The Group is involved in structured entities through investments in structured finance and investment funds. The main features of the structured entities are as follows:

Unconsolidated structured entities, categorized as ‘structured finance’, include real estate project financing investment companies, infrastructure business corporations, and special purpose company for shipping (aircraft) finance. ‘Structured finance’ is mainly used to finance large scale risky businesses. Investments are made based on economic feasibility of the specific business or project rather than credibility of the party undertaking the project or physical collateral, and the investors take the profit generated in the course of the project. The Group provides funds to the structured entities for structured finance in the form of equity investments and others.

Unconsolidated structured entities, categorized as ‘investment fund’, include investment trust and private equity fund.

A trust is formed by contributions from various investors, operated by a manager engaged to the trust and distributed proceeds from sales of investments to the investors.

Investment trusts invest and manage funds in accordance with the trust agreement, and distribute the profits to the investors. Private equity funds raise investment funds in private offering to acquire equity securities for participation in management or improvement of financial structures and governance structures. The Group, an investor to the private equity fund, recognizes income from valuation of equity investments and dividend income in proportion to its share ratio. If the value of the private equity fund decreases, the Group will be exposed to the risk of principal losses.

The scale of unconsolidated structured entities, shares of the Group in the entities and the nature of the risk, as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019				
	Liquidation of asset	**Structured finance**	**Investment funds**	**Others**	**Total**
Total assets of unconsolidated structured entities	₩ 8,405,735	₩ 43,766,724	₩ 1,039,184,765	₩ 32,752,146	₩ 1,124,109,370
Assets recognized on involving in unconsolidated structured entities					
Financial assets at fair value through profit or loss	-	-	476,025	310,188	786,213
Available-for-sale securities	2,963,305	720,324	7,164,970	353,497	11,202,096
Investments in associates	-	90,757	29,632	-	120,389
Loans	900,972	5,482,409	3,357,571	1,265,875	11,006,827
	₩ 3,864,277	₩ 6,293,490	₩ 11,028,198	₩ 1,929,560	₩ 23,115,525

Details of loan agreements and investments of assets recognized on involving in above unconsolidated structured entities are disclosed in Note 41.

(in millions of Korean won)	2018				
	Liquidation of asset	**Structured finance**	**Investment funds**	**Others**	**Total**
Total assets of unconsolidated structured entities	₩ 363,710	₩ 41,068,553	₩ 16,413,075	₩ -	₩ 57,845,338
Assets recognized on involving in unconsolidated structured entities					
Available-for-sale securities	-	1,371,274	2,769,901	-	4,141,175
Investments in associates	-	75,338	48,662	-	124,000
Loans	363,710	4,597,338	248,417	-	5,209,465
	₩ 363,710	₩ 6,043,950	₩ 3,066,980	₩ -	₩ 9,474,640

Details of loan agreements and investments of assets recognized on involving in above unconsolidated structured entities are disclosed in Note 41.

44. Segment Information

Operating segments of the Group and subsidiaries are composed of financial segment and non-financial segment. Financial segment operates insurance and asset management, and non-financial segment operates real estate management, insurance-related service and insurance agent and brokerage.

Segment information for the years ended December 31, 2019 and 2018, is as follows:

(in millions of Korean won)	2019			
	Financial	**Non-financial**	**Adjustment [1]**	**Total**
Operating income	₩ 25,112,627	₩ 195,919	₩ (330,054)	₩ 24,978,492
Operating expenses	25,065,071	194,042	(330,021)	24,929,092
Operating profit	47,556	1,877	(33)	49,400
Non-operating income	55,719	115	5,987	61,821
Non-operating expenses	78,173	162	(1,994)	76,341
Profit before income tax	25,102	1,830	7,948	34,880
Income tax expenses (benefits)	(21,733)	1,056	(3,110)	(23,787)
Profit for the year	₩ 46,835	₩ 774	₩ 11,058	₩ 58,667

(in millions of Korean won)	2018			
	Financial	**Non-financial**	**Adjustment [1]**	**Total**
Operating income	₩ 23,447,515	₩ 322,287	₩ (339,255)	₩ 23,430,547
Operating expenses	22,745,905	313,377	(278,930)	22,780,352
Operating profit	701,610	8,910	(60,325)	650,195
Non-operating income	42,709	4,311	2,865	49,885
Non-operating expenses	88,163	109	(24,606)	63,666
Profit before income tax	656,156	13,112	(32,854)	636,414
Income tax expenses	191,688	3,286	(5,084)	189,890
Profit for the year	₩ 464,468	₩ 9,826	₩ (27,770)	₩ 446,524

[1] Consolidated adjustments include elimination of internal transactions and unrealized gain or loss, the amount of offsetting investment capital to subsidiaries and others of each reportable segment.

Segment assets and liabilities as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019			
	Financial	Non-financial	Adjustment [1]	Total
Assets				
Cash and cash equivalents	₩ 945,084	₩ 6,778	₩ (1,158)	₩ 950,704
Deposits	960,536	64,203	(5,049)	1,019,690
Securities	77,902,901	10,334	(120,038)	77,793,197
Investments in associates and joint ventures	1,284,283	-	(1,053,455)	230,828
Loans	28,758,723	560	53,513	28,812,796
Others	10,161,635	34,651	718,506	10,914,792
Separate account assets	22,128,080	-	-	22,128,080
	₩ 142,141,242	₩ 116,526	₩ (407,681)	₩ 141,850,087
Liabilities				
Insurance contract liabilities	₩ 99,268,148	₩ -	₩ -	₩ 99,268,148
Policyholders' equity adjustment	1,177,466	-	29,293	1,206,759
Others	4,512,128	38,885	4,621	4,555,634
Separate account liabilities	22,993,189	-	(166,918)	22,826,271
	₩ 127,950,931	₩ 38,885	₩ (133,004)	₩ 127,856,812

(in millions of Korean won)	2018			
	Financial	Non-financial	Adjustment [1]	Total
Assets				
Cash and cash equivalents	₩ 1,821,863	₩ 30,769	₩ (13,922)	₩ 1,838,710
Deposits	748,751	43,007	417	792,175
Securities	70,947,838	3,631	(365,595)	70,585,874
Investments in associates and joint ventures	1,124,520	-	(968,300)	156,220
Loans	26,851,203	684	63,126	26,915,013
Others	9,617,461	44,714	671,611	10,333,786
Separate account assets	21,462,673	-	-	21,462,673
	₩ 132,574,309	₩ 122,805	₩ (612,663)	₩ 132,084,451
Liabilities				
Insurance contract liabilities	₩ 94,572,121	₩ -	₩ -	₩ 94,572,121
Policyholders' equity adjustment	556,796	-	(17,911)	538,885
Others	3,219,902	62,288	16,077	3,298,267
Separate account liabilities	22,386,472	-	(140,951)	22,245,521
	₩ 120,735,291	₩ 62,288	₩ (142,785)	₩ 120,654,794

[1] Consolidated adjustments include elimination of internal transactions and unrealized gain or loss, the amount of offsetting investment capital to subsidiaries and others of each reportable segment.

Information about geographical area

The Group does not provide information about geographical area, because majority of the revenues from external customers and majority of the assets such as property and equipment, and investment properties in Korea, the head office country.

The Group does not have any single external customer who contributes more than 10% of the Group's revenue for the year ended December 31, 2019.

45. Risk Management

(1) Risk management policy

1) Summary of the Group

The Group does its best to make stable growth and profit for shareholders and policyholders as managing insurance risk, interest rate risk, credit risk, market risk, liquidity risk and operation risk in accordance with its principle of risk management.

2) Objectives of risk management

The Group's objectives of the risk management are to maximize its value and sustain its stable growth by preventing, evaluating and managing uncertainty and possibility of loss.

3) Risk management strategy

In the short term, the Group establishes and manages maximum permissible limit to maintain entire risk level below within a certain level of available capital. In addition, the Group operates risk management process for investment activity and insurance product development.

In the middle and long term, the Group seeks maximizing its value and profit-oriented business strategy, which reflects asset and liability management ("ALM") investment strategy (the characteristics of insurance asset management strategy) in its management plan and asset management plan. Also, risk management organization and management's reporting system maintain independence and principle of checks and balances.

4) Structure and function of risk management organization

The Group has risk management committee, risk management action officers committee for both insurance division and investment division and risk management team. The Group operates Asset management committee, Quoted interest rate committee, Product development committee, Operating expense management committee, Reinsurance management committee and variable insurance guarantee risk management committee with regard to work site operations.

A) Risk management committee

Risk management committee is composed of more than three directors who are elected by the board of directors. Risk management committee establishes standards and measures of risk management, approves the permissible risk limit and others.

B) Risk management action officers committee

Risk management action officers committee is composed of members who are managers of each risk management department. The committee performs checking running state of the committee's decision, deliberation on detailed regulations for risk management, matters delegated by Risk management committee and others.

Categories and function of subcommittees:

Name of sub-committee	Major function
Asset management committee	Deliberation of quarterly asset management strategy and target portfolio, transaction of investment and loan, choice of asset management companies and others
Quoted interest rate committee	Deliberation of quoted interest rate
Product development committee	Deliberation of development and sale of insurance product and development of other product
Operating expense management committee	Discussion between divisions for operating expense and management of operating expense
Reinsurance management committee	Management of reinsurance ceded and assumed, selection of reinsurer, analysis for reinsurance transaction and others
Variable insurance guarantee risk management committee	Deliberation of management instruction, hedging strategy of guarantee risk of variable insurance and others and report on results of hedging

5) Internal capital adequacy assessment and management process

The Group complies with the Risk-based capital (RBC) ratio required by the Financial Supervisory Service. The purpose of RBC ratio system is to reserve stockholders' equity enough to cover the unforeseen losses of an insurance company. This is for the insurance company to maintain its ability to pay to the customers.

Risk-based capital (RBC) ratio is the total available capital of the Group divided by the Group's required capital (standard solvency margin amount). Available capital consists of share capital, reserves, and retained earnings. Required capital is calculated based on the diversification of insurance, interest rate, credit, market and operation risks.

Financial Supervisory Service requires RBC ratio of over 100%. When RBC ratio is below 100%, worsening of deficiency is prevented by timely corrections on each RBC ratio. The Group is in compliance with the RBC ratio regulated by the supervisory office as at December 31, 2019.

The purpose of RBC ratio system is to reserve stockholders' equity enough to cover the unforeseen losses of an insurance company. This is for the insurance company to maintain its ability to pay to the customers.

Risk-based capital (RBC) ratio	Complementary Measures
Recommend business improvement 50% - 100%	Recommend increase / decrease of equity capital, restrict any new business, and others
Demand business improvement 0% - 50%	Demand change of management members, suspend of partial operations, and others
Recommend business improvement Below 0%	Cancellation of share, operation transfer, merger, contract transfer and others

The Group divides risk into insurance, interest rate, credit, market and operation risk for the calculation of risk-based capital. The Group takes RBC influence into consideration for portfolio strategy. The Group measures the level of internal risk using internal risk model for insurance, interest rate, credit and market risk.

(2) Insurance risk management

1) Concept

Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the issuer. It is composed of insurance value risk and reserve risk. Insurance value risk is the risk of loss due to difference between premium which is received from policyholders and actual claims paid. Reserve risk is the risk of loss due to difference between reserve for outstanding claims and actual claims paid in the future.

2) Status of insurance risk exposure

Insurance risk is the possibility of the actual loss between the premium received from the policyholder and the insurance pay. Exposures by RBC standards as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
Life insurance				
Death	₩	606,841	₩	626,061
Disability		48,796		54,163
Hospitalization		334,987		337,519
Operation/diagnosis		793,545		765,957
Medical expense		249,090		228,851
Other life insurance		86,170		82,224
	₩	2,119,430	₩	2,094,776

(in millions of Korean won)		2019		2018
Non-life insurance				
General	₩	235,284	₩	191,354
Long-term		821,904		719,967
Automobile		575,802		585,763
	₩	1,632,990	₩	1,497,084

3) Status of reserve risk exposure

Exposures by RBC standards as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)		2019		2018
General	₩	124,509	₩	111,475
Automobile		151,680		126,304
	₩	276,190	₩	237,779

4) Measurement method

Both standard measurement method and internal model are used to measure the insurance risk. Standard measurement method (Article 7-2 of the Supervisory Regulation on Insurance Industry) means calculation of insurance risk by risk-based capital (RBC) standard provided from Korean Financial Services Commission (FSC). Reserve risk is excluded from the measure because it is calculated on non-life insurance contracts by Article 1-2 of the Supervisory Regulation on Insurance Industry.

The amount of insurance risk calculated by internal model is calculated by estimating risky insurance premium for the next 10 years, which is applied by experimental statics to contract held measurement insurance risk, which is the difference between maximum probability and average level of insurance claims paid and VaR, which is applied in experimental scenario.

5) Management method

The Group operates ALM system and insurance risk measurement system to measure amount of insurance risk. The amount of insurance risk, which is calculated quarterly is reported to risk management committee as a risk analysis report.

6) Reinsurance policy

The Group manages reinsurance for improving ability to pay claims as concerned risk exposure level and effective diversification of risks.

The Group's concentration level to top five reinsurers as at December 31, 2019 and 2018, is as follows.

(in millions of Korean won)	2019				2018		
	More than AA-	**A+ – A-**	**Below BBB+**	**Others**	**More than AA-**	**A+ – A-**	**Below BBB+**
Premium for reinsurance ceded	₩ 1,429,396	₩ -	₩ -	₩ 64,281	₩ 1,344,974	₩ -	₩ -

The Group's premium for reinsurance ceded for reinsurer category as at December 31, 2019 and 2018, is as follows.

(in millions of Korean won)	2019				2018			
	More than AA-	**A+ – A-**	**Below BBB+**	**Others**	**More than AA-**	**A+ – A-**	**Below BBB+**	**Others**
Premium for reinsurance ceded	₩ 1,504,732	₩ 66	₩ -	₩ 74,282	₩ 1,414,802	₩ 435	₩ -	₩ 4,039

7) The amount of guarantee risk to variable insurance:

The amount of guarantee risk to variable insurance of the Group as at December 31, 2019 and 2018, is as follows.

(in millions of Korean won)	2019			
	Premium income	**Policyholders' reserve**	**Reserve for guaranteed benefit**	**Amount of risk to minimum guaranteed benefit**
Variable whole life insurance	₩ 93,721	₩ 433,896	₩ 154,320	₩ 30,141
Variable annuity life insurance	1,022,742	7,834,459	100,700	136,333
Variable universal indemnity life insurance	803,568	2,476,681	276,422	219,725
Variable universal saving life insurance	138,198	1,230,953	628	1,945
Others	678,232	4,489,424	887,012	246,644
	₩ 2,736,461	₩ 16,465,414	₩ 1,419,083	₩ 634,789

(in millions of Korean won)	2018			
	Premium income	**Policyholders' reserve**	**Reserve for guaranteed benefit**	**Amount of risk to minimum guaranteed benefit**
Variable whole life insurance	₩ 62,594	₩ 390,423	₩ 116,556	₩ 18,605
Variable annuity life insurance	1,214,221	7,803,343	61,495	106,277
Variable universal indemnity life insurance	908,286	2,294,926	194,725	144,076
Variable universal saving life insurance	167,121	1,277,490	3,158	3,308
Others	714,654	4,261,989	702,151	151,727
	₩ 3,066,876	₩ 16,028,171	₩ 1,078,085	₩ 423,993

8) The analysis of insurance contract liability in relation to its remaining maturity is as follows:

(in millions of Korean won)	2019				
	Less than 1 year	**Between 1~5 years**	**Between 5~10 years**	**10 years and later**	**Total**
Premium reserve [1]	₩ 1,148,579	₩ 9,140,273	₩ 7,272,113	₩ 73,004,126	₩ 90,565,091

[1] Premium reserve is calculated based on surrender value of the Parent Company and its domestic subsidiaries.

(in millions of Korean won)	2018				
	Less than 1 year	**Between 1~5 years**	**Between 5~10 years**	**10 years and later**	**Total**
Premium reserve [1]	₩ 1,082,941	₩ 8,540,972	₩ 7,911,216	₩ 69,181,281	₩ 86,716,410

[1] Premium reserve is calculated based on surrender value of the Parent Company and its domestic subsidiaries.

(3) Interest rate risk management

1) Concept

Interest rate risk is risk of loss due to fluctuation of interest rate in the future market and difference between maturity structure of asset and liability.

2) Measurement method

Both standard measurement method and internal model are used to measure the interest rate risk. Under standard measurement method (Article 7-2 of the Supervisory Regulation on Insurance Industry), interest risk is measured by RBC standard provided from KFSC.

Internal model is subject to assets and liabilities of general accounts, pension savings and unit linked insurance. For the calculation of the amount of interest rate, the Group estimates future cash flow of assets and liabilities and then applies Duration Gap method using the value of assets and liabilities and the effective duration and expected fluctuations of maximum value of net assets method with probabilistic scenario (probabilistic interest rate VaR) to the calculation.

3) Management method

A) The Group reports the amount of interest risk calculated by duration gap method and applied probabilistic scenario to the risk management committee quarterly. The Group specially establishes and manages maximum permissible limit of the amount of interest risk calculated by duration gap method.

B) The Group does its best to expand safe assets such as long-term treasury bonds and others in the middle and long term and reduce the mismatch of duration of assets and liabilities by managing sales ratio of floating-rate type product.

C) The Group set portfolios for medium-and long-term goal through ALM investment strategy reflected cash flow of insurance liabilities, and set interest rate guidelines for insurance products using market interest rates.

D) ALM investment strategy and standard interest rates for public announcement are determined by risk management committee, and guidelines of interest rates for public announcement and application (includes guaranteed minimum interest rate of floating-rate type products) examined by risk management council.

E) Product committee determines interest rates for public announcement and application (includes guaranteed minimum interest rate of floating-rate type products) according to the guidelines.

4) Status of floating-rate type liabilities for minimum guaranteed interest rate

Exposure of floating-rate type liabilities for minimum guaranteed interest rate level by RBC standard as at December 31, 2019 and 2018, is as follows:

(in millions of Korean won)	2019					
	Less than 0%[1]	**0%–2%**	**2%–3%**	**3%–4%**	**More than 4%**	**Total**
Floating rate-type liabilities[2]	₩ 7,596,736	₩ 21,186,100	₩ 9,694,215	₩ 10,570,962	₩ 2,753,246	₩ 51,801,259

(in millions of Korean won)	2019					
	Less than 0%[1]	**0%–2%**	**2%–3%**	**3%–4%**	**More than 4%**	**Total**
Floating rate-type liabilities[2]	₩ 6,674,424	₩ 15,850,190	₩ 13,441,805	₩ 10,179,857	₩ 2,682,701	₩ 48,828,977

[1] For liability that does not have minimum guarantee option, it is presented as “Less than 0%.”

[2] For liability that has fixed-rate type and floating-rate type, it is classified as the type at the time of closing date of the fiscal year.

(4) Credit risk management

1) Concept

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

2) Measurement method

Both standard measurement method and internal model are used to measure the credit risk. Standard measurement method (Article 7-2 of the Supervisory Regulation on Insurance Industry) means calculation of credit risk by RBC standard provided from Korean FSC. If the Parent Company and subsidiaries use internal model, they calculate portfolio credit risk by Credit Manager (Credit Metrics measurement method), which is credit risk measurement engine provided by Morgan Stanley Capital International Inc. (“MSCI”). Approximately 20 global companies such as JP Morgan, Moody’s, S&P, KMV, Royal Bank of Canada and 250 other companies all over the world use Credit Manager to calculate their risk.

3) Management method

A) Management by permissible limit

The Group calculates VaR on a monthly basis, which is maximum unsuspected loss (99% confidence level) to investment portfolio due to deterioration of credit rating or bankruptcy or of lender and investment instrument. The Group manages to keep VaR less than available capital as providing permissible limit to the VaR.

B) Management by individual evaluation to lender and investment instrument

When operating asset, the Group evaluate individual lender and investment instrument at asset RM division. As a result of the evaluation, the Group invests in lender and investment instrument.

C) Management by diversified investment and operating limit

The Group manages limits for industry, group, lender and product to prevent concentration risk and for low grade assets which have high risk.

D) Overlapping management to high-risk asset

When the Group invests in high-risk asset (derivative and alternative investment), the risk management team analyzes credit risk and the asset RM division analyzes capability to repay the principal and pay interest.

4) Maximum exposure in credit risk

The maximum exposure to credit risk as at December 31, 2019 and 2018, is as follows:

(in millions of Korean won)		**2019**		**2018**
Cash and deposits	₩	948,562	₩	1,838,709
Deposits		1,019,690		792,175
Financial assets at fair value through profit or loss		827,200		470,909
Available-for-sale financial assets		61,177,097		19,675,787
Held-to-maturity financial assets		-		36,741,795
Loans		28,812,796		26,915,013
Others financial assets		1,761,323		1,452,150
Derivatives assets		297,987		377,183
	₩	94,844,656	₩	88,263,721
Loan commitments	₩	3,961,792	₩	2,901,529

5) Status of exposure for credit rating

Status of exposure for credit rating of bonds and loans held by the Group as at December 31, 2019 and 2018, is as follows:

A) Bonds

(in millions of Korean won)	2019						
	Risk free	**AAA**	**AA+–AA-**	**A+–BBB-**	**Below BBB-**	**Others**	**Total**
Government and public bonds	₩ 15,127,750	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 15,127,750
Special bonds	5,751,061	8,402,899	82,645	-	-	29,674	14,266,279
Financial bonds	-	68,821	591,767	53,546	-	92,082	806,216
Corporate bonds	-	2,663,970	1,496,872	30,243	-	171,758	4,362,843
Overseas securities	8,478,776	11,733,050	5,640,246	803,999	-	785,138	27,441,209
	₩ 29,357,587	₩ 22,868,740	₩ 7,811,530	₩ 887,788	₩ -	₩ 1,078,652	₩ 62,004,297

(in millions of Korean won)	2018						
	Risk free	**AAA**	**AA+–AA-**	**A+–BBB-**	**Below BBB-**	**Others**	**Total**
Government and public bonds	₩ 13,414,789	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 13,414,789
Special bonds	5,666,105	8,252,518	103,831	-	-	-	14,022,454
Financial bonds	-	170,376	659,835	84,562	-	-	914,773
Corporate bonds	-	2,062,863	1,447,608	138,982	-	93,508	3,742,961
Overseas securities	7,734,787	10,818,111	4,827,938	1,006,532	-	406,146	24,793,514
	₩ 26,815,681	₩ 21,303,868	₩ 7,039,212	₩ 1,230,076	₩ -	₩ 499,654	₩ 56,888,491

B) Loans[1]

(in millions of Korean won)	2019							
	Risk free	**AAA**	**AA+–AA-**	**A+–BBB-**	**Below BBB-**	**No-rating**	**Other**	**Total**
Call loans, unsecured loans, CP, loans secured by third-party guarantee	₩ 2,055,147	₩ 174,700	₩ 421,388	₩ 78,907	₩ -	₩ 4,971,443	₩ 2,088,794	₩ 9,790,380
Loans secured by real estate	-	391,231	40,000	-	-	2,485,547	5,497,203	8,413,981
Policy loans	-	-	-	-	-	-	7,767,640	7,767,640
Other loans	2,444,194	100,000	1,044	62,734	-	100,058	167,644	2,875,675
	₩ 4,499,341	₩ 665,931	₩ 462,432	₩ 141,642	₩ -	₩ 7,557,048	₩ 15,521,282	₩ 28,847,676

(in millions of Korean won)	2018							
	Risk free	**AAA**	**AA+–AA-**	**A+–BBB-**	**Below BBB-**	**No-rating**	**Other**	**Total**
Call loans, unsecured loans, CP, loans secured by third-party guarantee	₩ 2,250,414	₩ 84,901	₩ 270,687	₩ 112,445	₩ -	₩ 2,933,418	₩ 2,883,069	₩ 8,534,934
Loans secured by real estate	-	368,306	-	-	-	915,952	6,530,052	7,814,310
Policy loans	-	-	-	-	-	-	7,326,592	7,326,592
Other loans	1,318,191	1,315,681	90,000	126,239	-	264,799	169,727	3,284,637
	₩ 3,568,605	₩ 1,768,888	₩ 360,687	₩ 238,684	₩ -	₩ 4,114,169	₩ 16,909,440	₩ 26,960,473

[1] The principal amount is presented.

6) Concentration level for industry

The concentration level by industries of bonds and loans as at December 31, 2019 and 2018, is as follows:

(in millions of Korean won)	2019						
	Government, public	**Finance, insurance**	**Electronic, gas, water supply and etc.**	**Construction**	**Real estate, lease**	**Others**	**Total**
Bonds	₩ 23,938,166	₩ 14,202,030	₩ 5,421,164	₩ 2,499,751	₩ 1,655,448	₩ 14,287,738	₩ 62,004,297
Loans[1]	-	3,123,610	1,275,220	-	3,992,382	20,456,464	28,847,676
	₩ 23,938,166	₩ 17,325,640	₩ 6,696,384	₩ 2,499,751	₩ 5,647,830	₩ 34,744,202	₩ 90,851,973

[1] The principal amount is presented.

(in millions of Korean won)	2018						
	Government, public	**Finance, insurance**	**Electronic, gas, water supply and etc.**	**Construction**	**Real estate, lease**	**Others**	**Total**
Bonds	₩ 21,222,110	₩ 14,615,596	₩ 4,835,888	₩ 2,322,483	₩ 1,630,297	₩ 12,262,117	₩ 56,888,491
Loans[1]	-	3,294,823	1,001,031	359,628	3,878,463	18,426,528	26,960,473
	₩ 21,222,110	₩ 17,910,419	₩ 5,836,919	₩ 2,682,111	₩ 5,508,760	₩ 30,688,645	₩ 83,848,964

[1] The principal amount is presented.

(5) Market risk management

1) Concept

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

2) Measurement method

Both standard measurement method and internal model are used to measure the market risk. Under standard measurement method (Article 7-2 of the Supervisory Regulation on Insurance Industry), both general market risk and to variable annuity insurance guarantee risk are measured using risk index by RBC standard. If the Group uses internal model, it calculates portfolio credit risk by Credit Manager (Credit Metrics measurement method), which is credit risk measurement engine provided by MSCI.

3) Management method

A) Management by permissible limit of VaR

The Group calculates VaR daily, which is maximum unsuspected loss (99% confidence level) to investment portfolio due to fluctuation of stock prices, interest rate and exchange rate. The Group manages to keep VaR less than available capital as providing permissible limit to the VaR.

B) Management by loss limit

The Group establishes loss limit for trading assets and high-risk assets. If loss from trading assets and high- risk assets is exceeding the limit, the Group sells them to prevent additional loss. The Group manages to keep loss from trading assets and high-risk assets less than loss limit.

C) Management by operating limit

The Group establishes operating limit for investment category to prevent from excessive investment on specific investment category.

4) Sensitive analysis to risk factors

The Group operates daily, weekly, monthly and quarterly sensitive analysis for 50 scenarios, which are historical scenarios, user-designated scenarios, etc. The result of sensitive analysis which was performed based on exchange rate, interest rate, and stock prices to analyze the effect of the scenario test is as follows:

(in millions of Korean won)		2019	
	Variable factors	**Effect on profit (loss)[2]**	**Effect on equity[2]**
Exchange rate[1]	₩ 100 increase against won-dollar exchange rate	₩ 148,419	₩ 10,745
	₩ 100 decrease against won-dollar exchange rate	(148,419)	(10,745)
Interest rate	100 bp increase	(2,899)	(2,911,990)
	100 bp decrease	2,933	3,481,471
Stock index	10% increase	58	120,410
	10% decrease	(58)	(120,410)

[1] Sensitivity to fluctuation of exchange rate includes effect on profit and equity by fluctuation of assets and liabilities denominated foreign currency and derivatives.

[2] The Group separately manages the owned asset that financial assets at fair value through profit or loss and derivatives held for trading are managed at income line, and available-for-sale financial asset is managed at equity line.

(in millions of Korean won)		2018	
	Variable factors	**Effect on profit (loss)[2]**	**Effect on equity[2]**
Exchange rate[1]	₩ 100 increase against won-dollar exchange rate	₩ 65,670	₩ 9,126
	₩ 100 decrease against won-dollar exchange rate	(65,670)	(9,126)
Interest rate	100 bp increase	(2,323)	(844,286)
	100 bp decrease	2,352	989,139
Stock index	10% increase	63	176,756
	10% decrease	(63)	(176,756)

[1] Sensitivity to fluctuation of exchange rate includes effect on profit and equity by fluctuation of assets and liabilities denominated foreign currency and derivatives.

[2] The Group separately manages the owned asset that financial assets at fair value through profit or loss and derivatives held for trading are managed at income line, and available-for-sale financial asset is managed at equity line.

(6) Liquidity risk management

1) Concept

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

2) Management method

The Group manages liquidity concerning monthly cash flow of insurance. In addition, the Group does its best to estimate and manage daily cash flow.

3) Details of the remaining maturity of liabilities as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019				
	Less than 1 year	**Between 1-5 years**	**Between 5-10 years**	**Over 10 years**	**Total**
Other financial liabilities	₩ 1,990,278	₩ 295,675	₩ 420,237	₩ -	₩ 2,706,191
Derivatives liabilities	352,086	253,502	284	1,691	607,563
	₩ 2,342,364	₩ 549,178	₩ 420,521	₩ 1,691	₩ 3,313,754
Loan commitments	₩ 3,961,792	₩ -	₩ -	₩ -	₩ 3,961,792
Investment commitments	3,223,266	-	-	-	3,223,266

(in millions of Korean won)	2018				
	Less than 1 year	**Between 1-5 years**	**Between 5-10 years**	**Over 10 years**	**Total**
Other financial liabilities	₩ 1,474,463	₩ 290,299	₩ 426,204	₩ -	₩ 2,190,966
Derivatives liabilities	211,529	109,704	-	962	322,195
	₩ 1,685,992	₩ 400,003	₩ 426,204	₩ 962	₩ 2,513,161
Loan commitments	₩ 2,901,529	₩ -	₩ -	₩ -	₩ 2,901,529
Investment commitments	4,540,348	-	-	-	4,540,348

(7) Operating risk management

1) Concept

Operating risk is the risk of financial risk and non-financial risk due to inappropriate internal processes, manpower, external events, reputation and regulations. Operating risk management improves safety and soundness of the Group by identifying weakness of internal process and systematic complement.

2) Management method

The Group accumulates data by event types (internal and external fraud, safety at the place of business, business practice for customers and products, loss on material resources, paralysis of business, process management, etc.), causes and task types. In addition, the Group is monitoring the KPI-like unqualified contract index, incomplete selling rate, number of internal complaints, etc., and reporting to risk management committee on a quarterly basis.

46. Changes in Accounting Policies

As explained in Note 2.2(a), the Group has adopted Korean IFRS 1116, retrospectively, from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

(a) Adjustments recognized on adoption of Korean IFRS 1116 Lease

On adoption of Korean IFRS 1116, the Group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of Korean IFRS 1017. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 2.63%.

Details of lease liabilities as at the date of initial application are as follows:

(in millions of Korean won)		**January 1, 2019**
Operating lease commitments disclosed as at December 31, 2018	₩	82,468
Discounted using the lessee’s incremental borrowing rate of at the date of initial application		78,445
Less: short-term leases not recognized as liability		(77)
Less: low-value leases not recognized as liability		(437)
Add/(less): adjustments as a result of a different treatment of extension and termination options		287
Lease liability recognized as at January 1, 2019		78,218
Of which are:		
Current lease liabilities		39,978
Non-current lease liabilities		38,240
	₩	78,218

(i) Amounts recognized in the consolidated statement 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 assets				
Properties	₩	75,323	₩	73,984
Vehicles		1,616		1,692
Equipment		1,838		2,542
	₩	78,777	₩	78,218
Lease liabilities[1]				
Properties	₩	60,614	₩	73,984
Vehicles		1,636		1,692
Equipment		1,833		2,542
	₩	64,083	₩	78,218

[1] Included in the line item 'other financial liabilities' in the consolidated statements of financial position.

As at December 31, 2019, the contractual maturities of the Group's lease liabilities were as follows:

(in millions of Korean won)	**2019**											
		3 months or less		**1 year or less**		**3 years or less**		**5 years or less**		**Over 5 years**		**Total contractual cash flows**
Lease liabilities	₩	13,052	₩	21,313	₩	9,826	₩	21,313	₩	9,826	₩	75,330

(ii) Amounts recognized in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

(in millions of Korean won)		**2019**
Depreciation of right-of-use assets		
Properties	₩	52,516
Vehicles		1,127
Equipment		818
	₩	54,461
Interest expense relating to lease liabilities (included in other expenses)	₩	1,739
Expense relating to leases of low-value assets that are not short-term leases (included in business expenses)		483

The total cash outflow for leases in 2019 was ₩ 54,341 million.

47. Events after the Reporting Period

The Parent Company decided to invest ₩ 510,000 million by participating in paid-in capital increase of Hanwha Asset Management Co., Ltd. at the Board of Directors held on February 28, 2020.

REGISTERED OFFICE AND HEAD OFFICE OF THE ISSUER

Hanwha Life Insurance Co., Ltd.
63 Hanwha Life Building
50, 63-ro, Yeongdeungpo-gu
Seoul 07345, Korea

INITIAL PURCHASERS

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Citigroup Global Markets Inc.
388 Greenwich Street
New York, NY 10013
United States of America

Merrill Lynch International, LLC Seoul Branch
29F, Seoul Finance Center
136 Sejong-daero, Jung-gu
Seoul 04520, Korea

Standard Chartered Bank
One Basinghall Avenue
London EC2V 5DD
United Kingdom

Hanwha Investment & Securities Co., Ltd.
56, Yeoui-daero, Yeongdeungpo-gu
Seoul 07325, Korea

LEGAL ADVISERS TO THE ISSUER

As to English and U.S. law
Greenberg Traurig, LLP
(Foreign Legal Consultant Office)
23F, Seoul Finance Center
136 Sejong-daero, Jung-gu
Seoul 04520, Korea

As to Korean law
Shin & Kim LLC
23F, D-Tower (D2)
17, Jongno 3-gil, Jongno-gu
Seoul 03155, Korea

LEGAL ADVISER TO THE INITIAL PURCHASERS

As to English and U.S. law
Latham & Watkins, LLP
29F One IFC
10 Gukjegeumyung-ro, Yeongdeungpo-gu
Seoul 07326, Korea

INDEPENDENT ACCOUNTANTS OF THE ISSUER

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

Hanwha Life

HANWHA LIFE INSURANCE CO., LTD.

(Incorporated with limited liability under the laws of the Republic of Korea.)