

## IMPORTANT NOTICE

**THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS WITH ADDRESSES OUTSIDE OF THE U.S.**

**IMPORTANT:** You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the offering circular (the “offering circular”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering circular. In accessing the following offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED HEREIN 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 STATE OF THE UNITED STATES OR OTHER JURISDICTION 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.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE RELEVANT SECURITIES. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

**Confirmation of your Representation:** In order to be eligible to view the following offering circular or make an investment decision with respect to the securities, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing the following offering circular, you shall be deemed to have represented to us that (1) you are not a U.S. person nor are you acting on behalf of a U.S. person, the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and, to the extent you purchase the securities described in the following offering circular, you will be doing so pursuant to Regulation S under the Securities Act and (2) you consent to the delivery of such offering circular and any amendments and supplements thereto by electronic transmission.

You are reminded that the following offering circular has been delivered to you on the basis that you are a person into whose possession the following offering circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the following offering circular to any other person. If this is not the case, you must return this offering circular to us immediately.

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

The following offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the issuer or the guarantor or Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch International or Mizuho Securities Asia Limited (collectively, the “Managers”), or any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. 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.



# LOTTE PROPERTY & DEVELOPMENT CO., LTD.

**US\$300,000,000 4.500% Guaranteed Senior Unsecured Green and Sustainability Notes due 2025**

**Unconditionally and Irrevocably Guaranteed by**



**KOOKMIN BANK**

*(incorporated with limited liability under the laws of the Republic of Korea)*

**Issue Price: 99.931%**

The US\$300,000,000 4.500% Guaranteed Senior Unsecured Green and Sustainability Notes due 2025 (the “Notes”) will be issued by Lotte Property & Development Co., Ltd. (the “Issuer”) and unconditionally and irrevocably guaranteed by Kookmin Bank (the “Guarantor” or the “Bank,” and such guarantee, the “Guarantee”). The Notes constitute direct, general and unconditional obligations of the Issuer which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for such as may be preferred by mandatory provision of applicable law). The Guarantee relating to the Notes constitutes a direct, general and unconditional obligation of the Guarantor which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor (save for such as may be preferred by mandatory provision of applicable law).

The Notes will bear interest from and including August 1, 2022 (the “Issue Date”) at a rate of 4.500% per annum. Interest will be payable semi-annually in arrear on February 1 and August 1 of each year (each an “Interest Payment Date,” with the first Interest Payment Date on February 1, 2023 in respect of the period from and including the Issue Date to but excluding such Interest Payment Date). Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their outstanding principal amount on the Interest Payment Date on August 1, 2025 (the “Maturity Date”). The Notes are subject to redemption in whole, but not in part, at their outstanding principal amount together with any accrued but unpaid interest thereon, in the event of certain changes to tax laws. See “Terms and Conditions of the Notes – Redemption.”

The Notes are being issued by the Issuer as “Green and Sustainability Bonds” under the Sustainable Finance Framework. See “Sustainable Finance Framework.” The net proceeds from the issuance and sale of the Notes will be used to finance or refinance, in part or in full, new and/or existing Eligible Assets or Eligible Projects (as defined in the Sustainable Finance Framework). See “Use of Proceeds.”

**Investing in the Notes involves certain risks. See “Risk Factors” beginning on page 4.**

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing and quotation of the Notes 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 (the “Offering Circular”). Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Guarantor or the Notes.

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S (“Regulation S”) under the Securities Act), unless pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the Guarantee and the distribution of this Offering Circular, see “Subscription and Sale.”

The Notes are expected to be rated “Aa3” by Moody’s Investors Service (“Moody’s”). Such rating of the Notes does not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by such rating organization. Such rating should be evaluated independently of any other rating of the Notes, the Issuer’s or Guarantor’s other securities or the Issuer or Guarantor.

The Notes will initially be represented by beneficial interests in a global certificate (the “Global Certificate”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about August 1, 2022 with a common depositary for, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Certificate.

## ***Joint Global Coordinators and Joint Bookrunners***

**BofA Securities  
HSBC**

**Citigroup  
Mizuho Securities**

The date of this Offering Circular is July 25, 2022.

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You should rely only on the information contained in this Offering Circular. None of the Issuer, the Guarantor or the Managers (as defined in “Subscription and Sale”) has authorized anyone to provide you with information that is different or make any representation other than as contained in this Offering Circular in connection with the offering of the Notes. If anyone provides you with different or inconsistent information, you should not rely on it. The contents of the Issuer’s or the Guarantor’s website do not form any part of this Offering Circular.

You should assume the information in this Offering Circular is accurate only as of the date of this Offering Circular or such other date as specified herein. The business, financial condition, results of operations and prospects of the Issuer or the Guarantor may have changed since that date. Neither the delivery of this Offering Circular nor any sale of the Notes made in connection with this Offering Circular will, under any circumstances, constitute a representation or create any implication that the information in this Offering Circular is correct as of any date subsequent to the date of this Offering Circular or that there have been no changes in the affairs of the Issuer or the Guarantor since the date of this Offering Circular. Statements contained in this Offering Circular as to the contents of any contract or other documents referred to in this Offering Circular may not set forth all of the terms and conditions of such contracts or other documents.

In making an investment decision, prospective investors must rely on their own examination of the Issuer and the Guarantor and the terms of the Notes and the Guarantee, including the merits and risks involved. Neither the Issuer nor the Guarantor is making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. This Offering Circular should not be considered as a recommendation or constituting an invitation or offer by the Issuer, the Guarantor or the Managers that any recipient of this Offering Circular should purchase the Notes. You should not construe the contents of this Offering Circular as legal, business, accounting 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 Notes.

The Issuer and the Guarantor have furnished the information contained in this Offering Circular. No representation, undertaking or warranty, express or implied, is made by the Managers or any of their respective affiliates or advisers as to the accuracy or completeness of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Managers or any of their respective affiliates or advisers. The Managers assume no responsibility for the accuracy, adequacy, reasonableness or completeness of any of the information contained in this Offering Circular or any other information (financial, legal or otherwise) provided by the Issuer or the Guarantor in connection with the issue or distribution of the Notes, the issue of the Guarantee or the future performance of the Notes or the Guarantee. To the fullest extent permitted by law, none of the Managers accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Managers or on its behalf in connection with the Issuer, the Guarantor, the Guarantee or the issue and offering of the Notes. The Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers or any of their affiliates or advisers in connection with investigation of the accuracy of such information or such person’s investment decisions.

This Offering Circular may only be used where it is legal to sell the Notes. None of the Issuer, the Guarantor and the Managers is making an offer to sell the Notes in any jurisdiction where the offer or sale is not permitted. This Offering Circular may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular may come must inform themselves about and observe these relevant restrictions. No action is being taken in any jurisdiction to permit an offering to the general public of the Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for those purposes.

This Offering Circular is confidential. This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes described in this Offering Circular. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Notes. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized and any disclosure of any of its contents or use of such information for any purpose other than making an investment decision, without the prior written consent of the Issuer and the Guarantor, is prohibited. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing.

The Notes are subject to restrictions on transferability and may not be transferred or resold except as permitted under applicable U.S. federal and state Notes laws pursuant to a registration statement or an exemption from registration. Any investor who purchases the Notes will be deemed to have made acknowledgements, representations, warranties and agreements intended to restrict the resale or other transfer of the Notes, as set forth under “Subscription and Sale – Transfer Restrictions.” As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

**Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the “SFA”)** – the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”)) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**In connection with this offering, any of the Managers appointed and acting in its capacity as stabilization manager (the “Stabilization Manager”) (or person(s) acting on its behalf) may, subject to all applicable laws, rules and regulations, over-allot Notes or effect transactions that stabilize or maintain the market price of the Notes at a higher level than the Notes might otherwise achieve in the open market for a limited period of time after the Issue Date. However, there is no assurance that the Stabilization Manager (or person(s) acting on its behalf) will undertake stabilization action. 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 “Subscription and Sale.”**

The appointment of the Agents remains subject to satisfactory completion of their regulatory and internal compliance procedures.

## **ENFORCEABILITY OF CIVIL LIABILITIES**

The Guarantor is a corporation with limited liability organized under the laws of Korea. All of the officers and directors of the Guarantor named in this Offering Circular reside in Korea, and all or a substantial portion of the assets of the Guarantor and of such officers and directors are located outside the United States.

The Issuer is a corporation with limited liability organized under the laws of Korea. All of the officers and directors of the Issuer named in this Offering Circular reside in Korea, and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States.

As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or the Issuer or the Guarantor in U.S. courts judgments predicated upon civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

## AVAILABLE INFORMATION

Copies of the Fiscal Agency Agreement will be on file and available for inspection at the specified office of the Fiscal Agent (as defined in this Offering Circular) upon prior written request during normal office hours. In accordance with the Notes and the Fiscal Agency Agreement, the Fiscal Agent also will make available for inspection by holders of the Notes or, in certain cases, arrange for the mailing to such holders, certain documents or communications received from the Issuer or the Guarantor, as the case may be. See “Terms and Conditions of the Notes.”

## PRESENTATION OF FINANCIAL INFORMATION

Each of the Issuer and the Guarantor maintains its financial books and records and prepares its financial statements in Won in accordance with International Financial Reporting Standards as adopted by Korea (“Korean IFRS”). Unless otherwise stated, the financial data of the Guarantor contained in this Offering Circular as of and for the years ended December 31, 2020 and 2021 are derived from the Guarantor’s audited consolidated financial statements included in this Offering Circular, which have been prepared in accordance with Korean IFRS, and the financial data of the Guarantor contained in this Offering Circular as of March 31, 2022 and for the three months ended March 31, 2021 and 2022 are derived from the Guarantor’s unaudited interim consolidated financial statements included in this Offering Circular, which have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. Unless otherwise stated, the financial data of the Issuer contained in this Offering Circular as of and for the years ended December 31, 2020 and 2021 are derived from the Issuer’s audited financial statements included in this Offering Circular, which have been prepared in accordance with Korean IFRS.

## CERTAIN DEFINED TERMS AND CONVENTIONS

All references to the “Issuer” in this Offering Circular are references to Lotte Property & Development Co., Ltd., as required or as indicated by the context. All references to the “Bank” or the “Guarantor” in this Offering Circular are references to Kookmin Bank or Kookmin Bank and its consolidated subsidiaries collectively, as required or as indicated by the context. All references to the “Lotte Group” are to a group of companies affiliated with Lotte Property & Development Co., Ltd. The Lotte Group is not a legal entity but a reference to a group of such affiliated companies for the purposes of the Monopoly Regulation and Fair Trade Act of Korea.

All references to “Korea” contained in this Offering Circular are references to The Republic of Korea. All references to the “Government” are references to the government of Korea. All references to “U.S.” and the “United States” are references to the United States of America. All references to “Singapore” are references to the Republic of Singapore. In this Offering Circular, all references to “Won” or “₩” are to the lawful currency of Korea, all references to “U.S. dollar” or “US\$” are to the lawful currency of the United States, all references to “Euro” are to the lawful currency of the European Union and all references to “Japanese yen” are to the lawful currency of Japan. For the reader’s convenience, certain Won amounts in this Offering Circular have been translated into U.S. dollars at the market average exchange rate, announced by Seoul Money Brokerage Services, Ltd. in Seoul, between Won and dollars, rounded to the nearest tenth of one Won (the “Market Average Exchange Rate”) on March 31, 2022, which was ₩1,210.8 to US\$1.00. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all. For historical information regarding the rate of exchange between the Won and the U.S. dollar, see “Exchange Rates.” In this Offering Circular, where information has been prepared in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, actual numbers may differ from those contained herein due to rounding. All discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

## **FORWARD-LOOKING STATEMENTS**

This Offering Circular contains certain “forward-looking statements” that are based on the Issuer’s or the Guarantor’s current expectations, assumptions, estimates and projections about the industries that the Issuer and Guarantor are in. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “target”, “seek”, “aim”, “contemplate”, “project”, “plan”, “goal”, “should” and similar expressions or the negatives thereof. Those statements include, among other things, the discussions of the Issuer’s and the Guarantor’s business strategy and expectations concerning their market position, future operations, cash flows, margins, profitability, liquidity and capital resources. Reliance on any forward-looking statement involves risks and uncertainties, and although the Issuer and the Guarantor believe that the assumptions on which the forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include, but are not limited to, those identified in the “Risk Factors.” In light of these and other uncertainties, you should not conclude that the Issuer or the Guarantor will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. Neither the Issuer nor the Guarantor will undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances, except as required by law.



## SUMMARY

*The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Notes, see “Terms and Conditions of the Notes” in this Offering Circular (the “Conditions”). Terms used and not otherwise defined in this summary have the meaning given to them in the Conditions.*

<b>Issuer</b>	Lotte Property & Development Co., Ltd., a corporation with limited liability established under the laws of Korea.
<b>Notes</b>	US\$300,000,000 4.500% Guaranteed Senior Unsecured Green and Sustainability Notes due 2025.
<b>Guarantor</b>	Kookmin Bank, a bank incorporated under the laws of Korea.
<b>Guarantee</b>	<p>The Guarantor has given for the benefit of the Holders of the Notes an unconditional and irrevocable guarantee for the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes as and when the same shall become due according to the Conditions.</p> <p>The Guarantee relating to the Notes constitutes a direct, general and unconditional obligation of the Guarantor which will be unsecured and will rank <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Guarantor (save for such as may be preferred by mandatory provision of applicable law). The Guarantee will remain in full effect until the earlier of (i) when all of the obligations in respect of the Notes shall have been paid in full and (ii) the Maturity Date.</p>
<b>Issue Price</b>	99.931%
<b>Issue Date</b>	August 1, 2022.
<b>Interest Commencement Date</b>	August 1, 2022.
<b>Interest Payment Dates</b>	February 1 and August 1 of each year, commencing on February 1, 2023 and up to and including August 1, 2025, each subject to the following business day convention.
<b>Rate of Interest</b>	4.500% per annum, from and including, the Issue Date to, but excluding, the Maturity Date, payable semi-annually in arrear.
<b>Day Count Fraction</b>	30/360.
<b>Maturity Date</b>	August 1, 2025.
<b>Form and Denomination</b>	<p>The Notes will be issued in registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.</p> <p>Upon issue, the Global Certificate will be deposited with, and registered in the name of a nominee of, a common depositary for, Euroclear and Clearstream.</p>



<b>Redemption at Maturity</b>	Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their outstanding principal amount on the Maturity Date.
<b>Redemption for Tax Reasons</b>	The Issuer may redeem the Notes in whole, but not in part, at their outstanding principal amount together with any accrued but unpaid interest thereon, in the event that the Issuer is obliged to pay Additional Amounts provided in Condition 8.1.
<b>Taxation</b>	All payments in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Korea, unless the withholding or deduction of such taxes is required by law. In that event, the Issuer will pay such Additional Amounts as may be necessary in order that the net amounts received by the Holders after the withholding or deduction (including any withholding or deduction in respect of such payment of Additional Amounts) will equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of the withholding or deduction.
<b>Negative Pledge</b>	The Notes will contain a negative pledge provision given by the Issuer as described in Condition 3.2.
<b>Cross Acceleration</b>	The Notes will contain a cross-acceleration provision relating to indebtedness for money borrowed of the Issuer as described in Condition 11.3.
<b>Status of the Notes</b>	The Notes constitute direct, general and unconditional obligations of the Issuer which will be unsecured and will rank <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Issuer (save for such as may be preferred by mandatory provision of applicable law).
<b>Governing Law</b>	The Notes and the Guarantee are governed by, and will be construed in accordance with, the laws of the State of New York.
<b>Rating</b>	The Notes are expected to be rated “Aa3” by Moody’s. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by the assigning rating organization.
<b>Fiscal Agent</b>	Citicorp International Limited.
<b>Paying Agent, Transfer Agent and Registrar</b>	Citibank, N.A., London Branch.

**Listing**

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. There can be no assurance, however, that the Issuer will obtain or be able to maintain a listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of SGD200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

**Use of Proceeds**

The Issuer expects to use the net proceeds from the offering of the Notes to finance or refinance, in part or in full, new and/or existing Eligible Projects (as defined in the Sustainable Finance Framework). See “Use of Proceeds.”

**Green and Sustainability Bonds**

The Notes are being issued by the Issuer as “Green and Sustainability Bonds” under the Sustainable Finance Framework. See “Sustainable Finance Framework.”

**Selling Restrictions**

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. For additional selling restrictions in relation to other jurisdictions, see “Subscription and Sale.”

**Clearance and Settlement**

The Notes have been accepted for clearance by Euroclear and Clearstream under the following codes:

ISIN: XS2507746993

Common Code: 250774699

The Legal Entity Identifier (LEI) of the Issuer is 988400OLPNHXNWSTMB93.

## RISK FACTORS

*Investing in the Notes involves risks and uncertainties. Prospective purchasers of the Notes are advised to review carefully all of the information contained elsewhere in this Offering Circular and should consider, in particular, the following risk factors before purchasing the Notes. The risks described below are not the only ones that may be relevant to the Issuer, the Guarantor, the trading price of the Notes or the value of the Guarantee.*

### **RISKS RELATING TO THE BANK'S RETAIL CREDIT PORTFOLIO**

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

In recent years, consumer debt has increased significantly in Korea. The Bank's portfolio of retail loans on a separate basis, including mortgage and home equity loans, increased from ₩162,483 billion as of December 31, 2020 to ₩170,700 billion as of December 31, 2021. As of December 31, 2021, on a separate basis, the Bank's retail loans represented 48.6% of the Bank's total lending. On a separate basis, within the Bank's retail loan portfolio, the outstanding balance of other consumer loans, which unlike mortgage or home equity loans are often unsecured and therefore tend to carry a higher credit risk, increased from ₩49,511 billion as of December 31, 2020 to ₩51,499 billion as of December 31, 2021; as a percentage of total outstanding retail loans on a separate basis, such balance represented 30.2% as of December 31, 2021. The growth of the Bank's retail lending business, which generally offers higher margins than other lending activities, has contributed significantly to its interest income and profitability in recent years.

The growth of the Bank's retail loan portfolio, together with fluctuating economic conditions in Korea and globally in recent years, especially in light of the ongoing COVID-19 pandemic caused by a new strain of coronavirus, may lead to increases in delinquency levels and a deterioration in asset quality. On a separate basis, the amount of the Bank's non-performing retail loans (defined as those loans that are past due by 90 days or more) decreased from ₩182 billion as of December 31, 2020 to ₩136 billion as of December 31, 2021. Higher delinquencies in the Bank's retail loan portfolio in the future will require the Bank to increase its loan loss provisions and charge-offs, which in turn will adversely affect its financial condition and results of operations.

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

In addition, the Bank is exposed to changes in regulations and policies on retail lending by the Korean government (the “Government”), which may adopt measures to restrict retail lending or encourage financial institutions to provide financial support to certain types of retail borrowers. From the second half of 2016 to 2021, the Government introduced various measures to tighten regulations on mortgage and other lending and housing subscription in response to the rapid growth in consumer debt and concerns over speculative investments in real estate in certain areas. A decrease in housing prices as a result of the implementation of such measures, together with the high level of consumer debt and rising interest rate levels, could result in declines in consumer spending and reduced economic growth, which may lead to increases in delinquency levels of the Bank’s retail loan portfolio.

Under a pre-workout program established by Korean banks for retail borrowers with outstanding short-term debt in default, which has been in operation since April 2009, maturity extensions and/or interest reductions are provided for retail borrowers with total loans of ₩1.5 billion or less (consisting of no more than ₩500 million of unsecured loans and ₩1 billion of secured loans) from two or more financial institutions who are in arrears on their payments for more than 30 days but less than 90 days or those whose delinquency period is 30 days or less but with annual income of ₩40 million or less and cumulative delinquency period of 30 days or more within the year immediately preceding the application date, and who either have an income in excess of the minimum cost of living or are deemed by the Credit Counseling and Recovery Service, a public service organization that provides debt adjustment services to low-income families in Korea, to have the ability to repay their loans. In addition, in March 2015 and September 2019, in response to increasing levels of consumer debt and amid concerns over the debt-servicing capacity of retail borrowers if interest rates were to rise, the Government launched, and requested Korean banks to participate in, a mortgage loan refinancing program aimed at reducing the payment burden on and improving the asset quality of outstanding mortgage loans. Under such refinancing programs, qualified retail borrowers were able to convert their outstanding non-amortizing floating-rate mortgage loans from Korean commercial banks (including the Bank) into amortizing fixed-rate mortgage loans with lower interest rates. The Bank’s participation in such refinancing program may lead to a decrease in its interest income on its outstanding mortgage loans, as well as in its overall net interest margin. Moreover, the Bank’s participation in such initiatives led by the Government to provide financial support to retail borrowers may lead the Bank to offer credit terms for such borrowers that it would not generally offer, which may have an adverse effect on the Bank’s results of operations and financial condition.

## **RISKS RELATING TO THE BANK’S SMALL- AND MEDIUM-SIZED ENTERPRISE (“SME”) LOAN PORTFOLIO**

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

One of the Bank’s core businesses is lending to SMEs. The Bank’s loans to SMEs increased from ₩115,322 billion as of December 31, 2020 to ₩126,191 billion as of December 31, 2021. During that period, non-performing loans (defined as those loans that are past due by 90 days or more) to SMEs decreased from ₩111 billion to ₩83 billion. The non-performing loan ratio for such loans was 0.1% as of December 31, 2021. However, the Bank’s non-performing loans and non-performing loan ratio may increase in the future. According to data compiled by the Financial Supervisory Service (the “FSS”), the delinquency ratio for Won currency loans by Korean commercial banks to SMEs was 0.3% as of December 31, 2021. The delinquency ratio for Won currency loans to SMEs is calculated as the ratio of (1) the outstanding balance of such loans in respect of which either principal or interest payments are overdue by one month or more to (2) the aggregate outstanding balance of such loans. The Bank’s delinquency ratio for such loans was 0.2% as of December 31, 2020 and 0.1% as of December 31, 2021. However, the Bank’s delinquency ratio for such Won currency loans may increase in the future.

The Government has historically introduced policies and initiatives intended to encourage Korean banks to provide financial support to SME borrowers. For example, the Government requested Korean banks, including the Bank, to establish a “fast track” program to provide liquidity assistance to SMEs on an expedited basis since 2008. Since the termination of the “fast track” program in 2016, the Financial Services Commission (the “FSC”) implemented a swift financial assistance program for SME borrowers for a period of five years beginning on January 1, 2017. Financial institutions participating in such program, including the Bank, has provided financial assistance (including in the form of new loans, extension of maturity on existing obligations and provision of lower interest rates) to SME borrowers that are experiencing temporary liquidity crises but have a credit rating exceeding a certain threshold. The FSC announced in June 2022 that the swift financial assistance program for SME borrowers will be extended for six months until the end of 2022. The overall prospects for the Korean economy in 2022 and beyond remain uncertain, and the Government may extend or renew existing or past policies and initiatives or introduce new policies or initiatives to encourage Korean banks to provide financial support to SMEs. In particular, the ongoing COVID-19 pandemic affecting many countries worldwide, including Korea, has prompted the Government in recent months to implement various emergency aid initiatives involving Korean banks, including the Bank, to provide liquidity assistance to SME borrowers. Such initiatives include the provision of new loans to borrowers with low credit ratings, extension of maturity dates for existing loans and suspension of interest payment obligations for an extended period of time. See “Other Risks Relating to the Bank’s Business – The ongoing pandemic of COVID-19 and any possible recurrence of other types of widespread infectious disease may adversely affect the Bank’s business, financial condition or results of operations.” The Bank’s participation in such Government-led initiatives may lead the Bank to extend credit to SME borrowers that the Bank would not otherwise extend, or offer terms for such credit that the Bank would not otherwise offer, in the absence of such initiatives. Furthermore, there is no guarantee that the financial condition and liquidity position of the Bank’s SME borrowers benefiting from such initiatives will improve sufficiently for them to service their debt on a timely basis, or at all. Accordingly, increases in the Bank’s exposure to SME borrowers resulting from such Government-led initiatives may have a material adverse effect on the Bank’s financial condition and results of operations.

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

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

In recent years, the Bank has taken measures which sought to stem rising delinquencies in its loans to SMEs, including through strengthening of the review of loan applications and closer monitoring of the post-loan performance of SME borrowers in industry sectors that are relatively more sensitive to downturns in the economy and have shown higher delinquency ratios, such as the shipping, construction, lodging, retail and wholesale, restaurants and real estate development and supplier industries. Despite such efforts, however, there is no assurance that delinquency levels of the Bank’s loans to SMEs will not rise in the future. In particular, financial difficulties experienced by SMEs as a result of, among other things, adverse economic conditions in Korea and globally, could have an adverse impact on the ability of SMEs to make payments on the Bank’s loans. For example, the ongoing COVID-19 pandemic has had a

significant adverse impact on the Korean and global economy, which in turn has subjected, and could continue to subject, SMEs to disruptions in supply chains, a decline in sales and/or deterioration in financial conditions. In addition, aggressive marketing and competition among banks to lend to this segment may lead to a deterioration in the asset quality of the Bank's loans to this segment in the future. Any such deterioration would result in increased charge-offs and higher provisioning and reduced interest and fee income from this segment, which would have an adverse impact on the Bank's financial condition and results of operations.

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

As of December 31, 2021, on a separate basis, the Bank had loans outstanding to construction (most of which are SMEs), shipbuilding and shipping companies in the amount of ₩2,883 billion, ₩558 billion and ₩189 billion, or 0.8%, 0.2% and 0.1% of its total loans, respectively. The Bank also has other exposures to Korean construction, shipbuilding and shipping companies, including in the form of guarantees extended on behalf of such companies and debt and equity securities of such companies held by the Bank. In the case of construction companies, such exposures include guarantees provided to the Bank by general contractors with respect to financing extended by the Bank for residential and commercial real estate development projects. In the case of shipbuilding companies, such exposures include refund guarantees extended by the Bank on behalf of shipbuilding companies to cover their obligation to return a portion of the ship order contract amount to customers in the event of performance delays or defaults under shipbuilding contracts.

The construction industry in Korea has been stagnant in recent years due to stringent government regulations on real estate and a decrease in overseas construction orders, among others. While the construction industry has experienced signs of recovery resulting from higher demand for residential buildings relative to their supply and increases in the Korean government's spending on social overhead capital, the construction industry has yet to recover fully. The shipbuilding industry in Korea has experienced a severe downturn in recent years reflecting a significant decrease in ship orders, primarily due to oversupply. Although shipbuilding companies in Korea have seen a gradual increase in ship orders resulting from an increase in global consumer spending in 2021 and higher demand for eco-friendly Korean ships due to the strengthening of global environmental regulations, the financial condition of many of these companies continues to suffer from the effects of stagnant demand for ships in recent years. The shipping industry in Korea experienced a severe downturn in recent years due to movement restrictions and reduced traffic caused by the onset of the COVID-19 pandemic, although it has since seen strong growth due to increased global traffic resulting from increases in consumer spending and shipments as well as higher shipping rates reflecting more stringent global environmental regulations.

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



## **RISKS RELATING TO THE BANK'S STRATEGY**

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

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

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

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

## **RISKS RELATING TO THE BANK'S COMPETITION**

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

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

In addition, the introduction of Internet-only banks in Korea has led to an increase in competition in the Korean banking industry. Internet-only banks operate without branches and conduct most of their operations through electronic means, which enables them to minimize costs and offer customers higher interest rates on deposits or lower lending rates. In April 2017, K Bank, the first Internet-only bank in Korea, commenced operations. Kakao Bank, another Internet-only bank, in which the Bank held an 8.0% equity interest as of December 31, 2021, commenced operations in July 2017. Most recently, Toss Bank, another Internet-only bank, commenced operations in October 2021.



Moreover, the Bank believes that regulatory reforms and the general modernization of business practices in Korea will lead to increased competition among financial institutions in Korea. In the second half of 2015, the Government implemented measures to facilitate bank account portability of retail customers by requiring commercial banks to establish systems that allow retail customers to easily switch their bank accounts at one commercial bank to another and automatically transfer the automatic payment settings of their former accounts to the new ones. Such measures have further intensified competition among financial institutions in Korea. Moreover, in March 2016, the FSC introduced an individual savings account (“ISA”) scheme in Korea, which enables individuals to efficiently manage a wide range of retail investment vehicles, including cash deposits, funds and securities investment products, from a single integrated account with one financial institution and offers tax benefits on investment returns. Since the Government-backed scheme allows only one ISA per person, financial institutions have been competing to retain existing customers and attract new customers since the launch of the ISA scheme. Over 30 financial institutions, including banks, securities companies and insurance companies, have registered with the FSC to sell their ISA products and competition among these financial institutions is expected to remain intense. More recently, in August 2020, amendments to the Credit Information Use and Protection Act established the framework for MyData services in Korea, which allow the collection of customers’ personal credit information from credit information providers/users or public institutions upon the customer’s request and subject to compliance requirements, so that customers may access such collected personal credit information in whole or in part. As of April 13, 2022, the FSC had granted licenses to 56 companies to operate as MyData service providers, 30 of which were fintech or IT firms, and competition between traditional financial institutions and fintech firms is expected to intensify, particularly with respect to asset management services. MyData services are currently offered through several channels including KB Star Banking, the Bank’s mobile banking application.

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

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

## **RISKS RELATING TO THE BANK’S LARGE CORPORATE LOAN PORTFOLIO**

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

Of the Bank’s 20 largest corporate exposures (including loans, debt and equity securities and guarantees and acceptances) as of December 31, 2021 on a separate basis, eleven were to companies that were members of the 32 largest highly-indebted business groups among *chaebols* in Korea designated as such by the FSS based on their outstanding exposures. As of that date, on a separate basis, the total amount of the Bank’s exposures to such largest highly indebted business groups among *chaebols* was ₩25,212 billion, or 5.7% of the Bank’s total exposures. If the credit quality of the Bank’s exposures to *chaebols* declines as a result of financial difficulties they experience or for other reasons, the Bank could require substantial additional loan loss provisions, which would hurt its results of operations and financial condition.

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

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

As of December 31, 2021, on a separate basis, the Bank's loans and guarantees to companies that were in workout, restructuring or rehabilitation amounted to ₩252 billion or 0.1% of the Bank's total loans and guarantees, most of which were classified as impaired. As of the same date, on a separate basis, the Bank's allowances for credit losses on these loans and guarantees amounted to ₩120 billion, or 47.6% of these loans and guarantees. These allowances may not be sufficient to cover all future losses arising from the Bank's exposure to these companies. Furthermore, the Bank has other exposure to such companies, in the form of debt and equity securities of such companies held by the Bank (including equity securities the Bank acquired as a result of debt-to-equity conversions). In addition, in the case of borrowers that are or become subject to workout or restructuring, the Bank may be forced to restructure its credits pursuant to restructuring plans approved by other creditor financial institutions of the borrower, or to dispose of the Bank's credits to other creditors on unfavorable terms.

In particular, as of December 31, 2021, on a separate basis, the Bank had ₩84 billion of outstanding loans and ₩325 billion of outstanding guarantees (mainly in the form of refund guarantees relating to shipbuilding contracts), to Daewoo Shipbuilding & Marine Engineering Co., Ltd. ("DSME"), which has been pursuing a voluntary restructuring program. In April 2017, the creditors of DSME agreed on a plan to provide additional financial support to DSME in connection with its voluntary restructuring program, under which the Korea Development Bank and the Export-Import Bank of Korea would provide ₩2.9 trillion of new loans to DSME, on the condition that DSME's other creditors and bondholders agree to a ₩2.9 trillion debt-to-equity swap. The financial support plan, which is currently scheduled to expire in December 2022, required the Korean commercial bank creditors of DSME (including the Bank) to swap 80% of their outstanding unsecured loans into equity of DSME and extend the maturity of the remaining loans for a period of five years. The financial support plan also requires DSME's creditors (including the Bank) to provide additional refund guarantees in connection with future shipbuilding contracts of DSME. The implementation of the financial support plan for DSME has required and may continue to require the Bank to increase its loan loss provisions and recognize write-offs and impairment losses with respect to its exposures to DSME and may therefore have a material adverse impact on the Bank's results of operations and financial condition. Furthermore, there is no guarantee that the plan will be successful in ensuring the financial viability of DSME.

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

As of December 31, 2021, the Bank's loans and guarantees to its 20 largest borrowers totalled ₩13,337 billion and accounted for 3.7% of the Bank's total loans and guarantees. As of that date, the Bank's single largest corporate credit exposure was to Meritz Securities Co. Ltd., to which the Bank had outstanding loans (in Won and other currencies) of ₩1,791 billion, representing 0.5% of the Bank's total loans and guarantees. Any deterioration in the financial condition of Meritz Securities Co. Ltd. or the Bank's other large corporate borrowers, including those in industries particularly affected by the COVID-19 pandemic to which the Bank has exposures such as the transportation, food and beverage, hotel, leisure and shipping industries, and certain sectors of the manufacturing industry, may require the Bank to record substantial additional provisions and charge-offs and may have a material adverse impact on its results of operations and financial condition.

## OTHER RISKS RELATING TO THE BANK'S BUSINESS

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

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

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

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

It is not possible to predict the duration or the full magnitude of the overall harm that may result from COVID-19 in the long term. In the event that COVID-19 or other types of widespread infectious diseases cannot be effectively and timely contained, the Bank's business, financial condition and results of operations will likely suffer.

*Unfavorable changes in the global financial markets could adversely affect the Bank's results of operations and financial condition.*

The overall prospects for the Korean and global economy in 2022 and beyond remain uncertain. In recent years, the global financial markets have experienced significant volatility as a result of, among other things:

- the occurrence of severe health epidemics, such as the ongoing COVID-19 pandemic;
- hostilities, political or social tensions involving Russia (including the invasion of Ukraine by Russia and ensuing actions that the United States and other countries have taken or may take in the future, such as the imposition of sanctions against Russia) and the resulting adverse effects on the global supply of oil and other natural resources and the global financial markets;

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

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

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

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

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

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

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

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

***Uncertainties regarding the transition away from London Interbank Offered Rate ("LIBOR"), or any other interest rate benchmark could have adverse consequences for market participants, including the Bank.***

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

Given the extensive use of LIBOR across financial markets, the transition away from LIBOR presents various risks and challenges to financial markets and institutions, including the Bank. As a commercial bank, the Bank uses various financial products that reference LIBOR, including, among others, commercial loans, deposits, debts and debentures. The Bank also enters into derivatives contracts in order to address the needs of its corporate clients to hedge their risk exposure as well as the need to hedge its own risk exposure that results from such client contracts. In February 2020, the Bank assembled a task force team in order to assess, identify, monitor and manage risks that may arise from the discontinuation of LIBOR. As of the date of this Offering Circular, the Bank is continuing to transition to alternative reference rates in order to gradually reduce its exposure to LIBOR. For example, the Bank has selected the appropriate alternative reference rate and credit spread adjustment for each of its currencies in order to minimize any negative impact the difference between LIBOR and alternative reference rates may have on the Bank's profitability. As of the date of this Offering Circular, the Bank has amended all of its existing agreements to replace LIBOR with alternative reference rates, and has ceased to use LIBOR as the reference rate in new agreements altogether.

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

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

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



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

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

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

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

As of December 31, 2021, the Bank held debt securities issued by Korean companies and financial institutions (other than those issued by the Government and government-owned or -controlled enterprises or financial institutions, including the Bank of Korea (the "BOK"), Korea Housing Finance Corporation, the Korea Development Bank, Industrial Bank of Korea, the Export-Import Bank of Korea, the Korea Deposit Insurance Corporation (the "KDIC") and Korea Land & Housing Corporation) with a total carrying amount of ₩29,399 billion in the Bank's trading and investment securities portfolio. The market value of these securities could decline significantly due to various factors, including future increases in interest rates or a deterioration in the financial and economic condition of any particular issuer or of Korea in general. Any of these factors individually or a combination of these factors would require the Bank to write down the fair value of these debt securities, resulting in impairment losses. Because the secondary market for corporate bonds in Korea is not fully developed, the market value of many of these securities as reflected on the Bank's statements of financial position is determined by references to suggested prices posted by Korean rating agencies or the Korea Financial Investment Association. These valuations, however, may differ significantly from the actual value that the Bank could realize in the event it elects to sell these securities. As a result, the Bank may not be able to realize the full book value at the time of any such sale of these securities and thus may incur losses.

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

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



If, at any time, the income from the Bank's guaranteed trust accounts is not sufficient to pay any guaranteed amount, the Bank will have to cover the shortfall first from the special reserves maintained in these trust accounts, then from the Bank's fees from such trust accounts and finally from funds transferred from the Bank's general banking operations. As of December 31, 2021, the Bank had ₩112 billion of special reserves in respect of trust accounts for which the Bank provided guarantees of principal. There was no transfer from general banking operations to cover deficiencies in guaranteed trust accounts in 2020 and 2021. However, the Bank may be required to make transfers from its general banking operations to cover shortfalls, if any, in its guaranteed trust accounts in the future. Such transfers may adversely impact the Bank's results of operations.

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

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

## **RISKS RELATING TO THE BANK'S LIQUIDITY AND CAPITAL MANAGEMENT**

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

Interest rates in Korea have been subject to significant fluctuations in recent years. After the BOK reduced its policy rate to 1.50% in 2015 and again to 1.25% in June 2016 amid deflationary concerns and interest rate cuts by central banks around the world, it increased its policy rate to 1.50% in November 2017 and 1.75% in November 2018 in light of improved growth prospects in Korea and rising interest rate levels globally. However, the BOK again lowered its policy rate to 1.50% in July 2019 and to 1.25% in October 2019 in order to address the sluggishness of the global and domestic economy. Subsequently, the BOK further lowered its policy rate to 0.75% in March 2020 and to 0.50% in May 2020 in response to deteriorating economic conditions resulting from the COVID-19 pandemic, before increasing its policy

rate back to 0.75% in August 2021, 1.00% in November 2021, 1.25% in January 2022, 1.50% in April 2022 and 1.75% in May 2022, in response to rising levels of household debt and inflation. All else being equal, an increase in interest rates in the future could lead to a decline in the value of the Bank's portfolio of debt securities, which generally pay interest based on a fixed rate. A sustained increase in interest rates will also raise the Bank's funding costs, while reducing loan demand, especially among retail borrowers. Rising interest rates may therefore require the Bank to re-balance its asset portfolio and its liabilities in order to minimize the risk of potential mismatches and maintain its profitability.

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

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

The Bank meets a significant amount of its funding requirements through short-term funding sources, which consist primarily of customer deposits. As of December 31, 2021, 97.0% of the Bank's deposits had maturities of one year or less or were payable on demand. In the past, a substantial proportion of the Bank's customer deposits have been rolled over upon maturity. The Bank cannot guarantee, however, that depositors will continue to roll over their deposits in the future. In the event that a substantial number of the Bank's short-term deposit customers withdraw their funds or fail to roll over their deposits as higher-yielding investment opportunities emerge, the Bank's liquidity position could be adversely affected. The Bank may also be required to seek more expensive sources of short-term and long-term funding to finance its operations.

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

Under the capital adequacy requirements of the FSC, as of December 31, 2021, the Bank was required to maintain a total minimum common equity Tier I capital adequacy ratio of 8.0%, Tier I capital adequacy ratio of 9.5% and combined Tier I and Tier II capital adequacy ratio of 11.5%, on a consolidated basis (including applicable additional capital buffers and requirements as described below). As of December 31, 2021, the Bank's common equity Tier I capital, Tier I capital and combined Tier I and Tier II capital adequacy ratios were 14.70%, 14.98% and 17.47%, respectively, all of which exceeded the minimum levels required by the FSC. However, the Bank's capital base and capital adequacy ratios may deteriorate in the future if its results of operations or financial condition deteriorates for any reason, including as a result of a deterioration in the asset quality of the Bank's retail loans and loans to SMEs, or if the Bank is not able to deploy its funding into suitably low-risk assets.

The current capital adequacy requirements of the FSC are derived from a new set of bank capital measures, referred to as Basel III, which the Basel Committee on Banking Supervision initially introduced in 2009 and began phasing in starting from 2013. Commencing in July 2013, the FSC promulgated a series of amended regulations implementing Basel III, pursuant to which Korean banks and bank holding companies were required to maintain a minimum ratio of common equity Tier I capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5%

and 6.0%, respectively, from January 1, 2015. The amended regulations also require an additional capital conservation buffer of 2.5% from January 2019, as well as a potential counter-cyclical capital buffer of up to 2.5%, which is determined on a quarterly basis by the FSC. Furthermore, the Bank was designated as one of the domestic systemically important banks for 2021 by the FSC and was subject to an additional capital requirement of 1.0% in 2021. In July 2021, the Bank was again designated as a domestic systemically important bank for 2022, which would again subject the Bank to the same additional capital requirement of 1.0% in 2022. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets. The implementation of Basel III in Korea may have a significant effect on the capital requirements of Korean financial institutions, including the Bank. See “*Regulation and Supervision of the Bank – Legal and Regulatory Framework in Korea – Capital Adequacy.*”

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

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

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

## **RISKS OF THE BANK RELATING TO GOVERNMENT REGULATION AND POLICY**

***Strengthening of consumer protection laws applicable to financial institutions could adversely affect the Bank’s operations.***

As a financial service provider, the Bank is subject to a variety of regulations in Korea that are designed to protect financial consumers. In recent years, in light of heightened public concern regarding privacy issues, the Government has placed greater emphasis on the protection of personal information by financial institutions and has implemented a number of measures to enhance consumer protection, including considerable restrictions on the transfer or provision of personal information by financial institutions to their affiliates or holding company. Under the Personal Information Protection Act, financial institutions, as personal information managers, may not collect, store, maintain, utilize or provide resident registration numbers of their customers, unless other laws or regulations specifically require or permit the management of resident registration numbers. In addition, under the Use and Protection of Credit Information Act, a financial institution has a higher duty to protect all information that it collects from its customers and is

required to treat such information as credit information. There are considerable restrictions on the transfer or provision of information by financial institutions to their affiliates or holding company. Quintuple damages may be imposed on a financial institution for leakage of such information. Furthermore, under the Electronic Financial Transaction Act, a financial institution is primarily responsible for compensating its customers harmed by a cyber security breach affecting the financial institution even if the breach is not directly attributable to the financial institution.

Under the Financial Consumer Protection Act, which was newly enacted in March 2020, banks, as financial instrument distributors, are subject to heightened investor protection measures, including stricter distribution guidelines, improved financial dispute resolution procedures, increased liability for customer losses and newly imposed penalty surcharges starting in March 2021. Following the enactment of the Financial Consumer Protection Act, financial regulators have published subordinate regulations to such Act, including the Enforcement Decree, Supervisory Regulations and Enforcement Rules to the Supervisory Regulations governing consumer protection within the financial industry.

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

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

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

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

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

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

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

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

## **RISKS RELATING TO KOREA**

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

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

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

- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

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

***Unfavorable financial and economic developments in Korea may have an adverse effect on the Bank.***

The Bank is incorporated in Korea, and substantially all of its operations are located in Korea. As a result, the Bank is subject to political, economic, legal and regulatory risks specific to Korea, and the Bank's performance and successful fulfilment of its operational strategies are dependent to a large extent on the overall Korean economy. The economic indicators in Korea in recent years have shown mixed signs of deterioration and recovery. Following a period of deterioration due to the debilitating effects of the COVID-19 pandemic on the Korean economy as well as on the economies of Korea's major trading partners in 2020, the overall Korean economy has shown some signs of recovery in 2021. However, there can be no assurance that such recovery will continue in the future. See "*Other Risks Relating to the Bank's Business – The ongoing pandemic of COVID-19 and any possible recurrence of other types of widespread infectious disease may adversely affect the Bank's business, financial condition or results of operations.*" As a result, future growth of the Korean economy is subject to many factors beyond the Bank's control, including developments in the global economy.

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

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

- declines in consumer confidence and a slowdown in consumer spending in the Korean or global economy;



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



- geo-political uncertainty and the risk of further attacks by terrorist groups around the world;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities or political or social tensions involving oil-producing countries in the Middle East (including a potential escalation of hostilities between the United States and Iran) and Northern Africa and any material disruption in the supply of oil or sudden increase in the price of oil;
- increased reliance on exports to service foreign currency debts, which could cause friction with Korea's trading partners;
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States; and
- changes in financial regulations in Korea.

***Labor unrest in Korea may adversely affect the Bank's operations.***

Economic difficulties in Korea or increases in corporate reorganizations and bankruptcies could result in layoffs and higher unemployment. Such developments could lead to social unrest and substantially increase government expenditures for unemployment compensation and other costs for social programs. According to statistics from the Korea National Statistical Office, the unemployment rate increased from 3.8% in 2019 to 4.0% in 2020 but decreased to 3.7% in 2021. Increases in unemployment and any resulting labor unrest in the future could adversely affect the Bank's operations, as well as the operations of many of the Bank's customers and their ability to repay their loans, and could adversely affect the financial condition of Korean companies in general, depressing the price of their securities. These developments would likely have an adverse effect on the Bank's financial condition and results of operations.

**RISKS RELATING TO THE ISSUER AND THE ISSUER'S BUSINESS**

***The Issuer has significant exposure to real estate risk.***

Since the Issuer's business consists exclusively of operating and managing the Lotte World Tower and Mall and sales of the private offices and residences therein, the Issuer is subject to the risks related to the ownership, operation and management of real estate that can adversely impact its business and financial condition. Certain significant costs, such as mortgage payments, real estate taxes, insurance and maintenance, generally are not reduced even when a property's rental income is reduced or when the Issuer is unable to derive revenue from sales of offices and residences on commercially acceptable terms. In addition, environmental and tax laws, interest rate levels, the availability of financing and other factors may affect real estate values and property income. Furthermore, the supply and demand of commercial space fluctuate with market conditions.

Since the Issuer derives substantially all of its income from operation and management of the Lotte World Tower and Mall and sales of the private offices and residences therein, the Issuer is subject to the following general risks of acquiring and owning real estate related assets:

- changes in the national, state and local economic climate and real estate conditions, such as oversupply of or reduced demand for commercial or residential real estate space and changes in market rental rates or property prices;

- how prospective tenants or property owners perceive the attractiveness, convenience and safety of the Issuer's properties;
- natural disasters, such as earthquakes, typhoons and floods, which could result in losses that exceed the aggregate limits of the Issuer's insurance coverage;
- the expense of periodically renovating, repairing and re-letting spaces;
- the impact of environmental protection laws;
- compliance with federal, state and local laws and regulations;
- increasing operating and maintenance costs, including property taxes, insurance and utilities, if these increased costs cannot be passed through to customers;
- adverse changes in tax, real estate and zoning laws and regulations;
- increasing competition from other commercial or residential properties in the Issuer's market; and
- tenant defaults and bankruptcies.

If materialized, these risks could, individually or in the aggregate, result in reduced revenues, increased expenses, increased capital expenditures, or increased borrowings, which could have a material adverse effect on the Issuer's operating results, financial condition and cash flows.

## **RISKS RELATING TO THE NOTES**

*The rating assigned to the Notes may be suspended, lowered or withdrawn in the future.*

The Notes are expected to be rated "Aa3" by Moody's. The rating assigned to the Notes will have been based primarily on the Guarantee to be issued by the Bank with respect to the Notes. Pursuant to the Guarantee, the Bank will unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes as and when such sums become due (the "Guaranteed Amounts"). The payment of the Guaranteed Amounts will, therefore, depend on the Bank performing its obligations under the Guarantee, and the likelihood of payment of the Guaranteed Amounts will depend on the creditworthiness of the Bank. Consequently, investors are relying not only on the creditworthiness of the Issuer but also on the creditworthiness of the Bank to perform its obligations under the Guarantee. A significant deterioration in the financial condition of the Bank could adversely affect the likelihood of investors receiving Guaranteed Amounts under the Guarantee and could result in a downgrade or withdrawal of the rating of the Notes.

A rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal at any time. There can be no assurance that a rating will remain for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Neither the Issuer nor the Bank has an obligation to inform Holders of any such revision, downgrade or withdrawal. A reduction, suspension, or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes or a Holder's ability to dispose of the Notes.

***The liquidity and price of the Notes may be volatile.***

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Issuer's or the Bank's revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions or dispositions, interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to the Issuer's or the Bank's industry, as well as general economic conditions in Korea or internationally, could cause the price of the Notes to fluctuate. Any such developments may result in large and sudden adverse changes in the trading volume and price of the Notes. There is no assurance that these developments will not occur in the future.

***An active trading market for the Notes may not develop.***

The Notes are a new issue of securities for which there is currently no trading market. No assurance can be given that the Issuer will obtain or be able to maintain a listing and quotation of the Notes on the SGX-ST or that an active trading market for the Notes will develop or as to the liquidity or sustainability of any such market, the ability of Holders to sell their Notes or the price at which Holders will be able to sell their Notes.

The Managers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at their sole discretion. Even if the Managers act as market makers for the Notes, the secondary market for the Notes may be limited and there is no assurance given as to the price offered by a secondary market-makers or the impact of any such quoted prices on those available in the wider market. To the extent that the Notes become illiquid, an investor may have to hold the relevant Notes until maturity before it is able to realize value. Investors should note that a secondary market may be affected by both legal restrictions in certain jurisdictions and by the Issuer and/or the Managers purchasing or holding the Notes.

***The Notes contain provisions regarding meetings, modification, waivers and substitution which may affect the rights of Holders.***

The Conditions of the Notes and the Fiscal Agency Agreement contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Fiscal Agent may agree, without the consent of Holders, to the waiver or authorization of any breach or proposed breach of, any of the Conditions of the Notes or any of the provisions of the Fiscal Agency Agreement, provided that it is not, in the opinion of the Issuer, materially prejudicial to the interests of the Holders, or may agree, among other things, to make any modifications to the Notes or the Fiscal Agency Agreement of a formal, minor or technical nature or necessary in the reasonable opinion of the Issuer to correct a manifest error or to comply with mandatory provisions of the laws of Korea so long as such modification does not adversely affect the rights of any Holder in any material respect.

***The Notes are represented by the Global Certificate and Holders must rely on the procedures of the relevant Clearing System(s).***

Notes are represented by the Global Certificate. The Global Certificate will be deposited with a common depository for Euroclear and Clearstream (each of Euroclear and Clearstream, a “Clearing System”). Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive Definitive Certificates. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by the Global Certificate, the Issuer and the Guarantor will discharge their payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders.

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

***The Notes may not be a suitable investment for all investors seeking exposure to green assets.***

Pursuant to the recommendation in the International Capital Market Association (“ICMA”)’s Green Bond Principles 2021 (the “2021 Green Bond Principles”), Social Bond Principles 2021 (the “2021 Social Bond Principles”) and the Sustainability Bond Guidelines 2021 (the “2021 Sustainability Bond Guidelines”) that issuers use external assurance to confirm their alignment with the key features of the 2021 Green Bond Principles, 2021 Social Bond Principles and the 2021 Sustainability Bond Guidelines, at the Issuer’s request, Sustainalytics (“Sustainalytics”) has issued a framework overview and second party opinion dated July 2022 (the “Framework Report”).

The Framework Report is not incorporated into, and does not form part of, this Offering Circular. Such Framework Report provides an opinion on certain environmental and related considerations but is not intended to address any credit, market or other aspects of an investment in the Notes including, without limitation, market price, marketability, investor preference or suitability of any security. Neither the Issuer nor the Managers make any representation as to the suitability of the Framework Report. The Framework Report is not a recommendation to buy, sell or hold securities and is only current as of the date it was initially issued. Furthermore, the Framework Report is for information purposes only and Sustainalytics does not accept any form of liability for the substance of its Framework Report and/or any liability for loss arising from the use of its Framework Report and/or the information provided therein.

The Issuer has agreed to certain use of proceeds, reporting and other obligations as described under the sections “Use of Proceeds” and “Sustainable Finance Framework,” respectively; however, it will not be an event of default under the Notes if the Issuer fails to comply with such obligations. A withdrawal of either of the Framework Report may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets. In the event that the Notes are included in any dedicated “green,” “environmental,” “sustainable” or other equivalently-labelled index, no representation or assurance is given by the Issuer or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates.

## TERMS AND CONDITIONS OF THE NOTES

The US\$300,000,000 4.500% Guaranteed Senior Unsecured Green and Sustainability Notes due 2025 (the “**Notes**,” which expression, unless the context otherwise requires, includes any further Notes issued pursuant to Condition 10 and forming a single series with the Notes) of LOTTE Property & Development Co., Ltd. (the “**Issuer**”) are issued under a fiscal agency agreement dated August 1, 2022 (as amended from time to time, the “**Fiscal Agency Agreement**”), among the Issuer, Kookmin Bank as the guarantor (the “**Guarantor**”) and Citicorp International Limited, as fiscal agent (the “**Fiscal Agent**,” which expression shall include its successor(s)), Citibank, N.A., London Branch, as paying agent (the “**Paying Agent**,” which expression shall include its successor(s)), transfer agent (the “**Transfer Agent**,” which expression shall include its successor(s)) and registrar (the “**Registrar**,” which expression shall include its successor(s)). References herein to the “**Agents**” are to the Fiscal Agent, the Paying Agent, the Transfer Agent and the Registrar, and any reference to an “**Agent**” is to any one of them. The Notes are issued, and may or must be redeemed by the Issuer, on the terms set out in these Terms and Conditions (the “**Conditions**”).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement. Copies of the Fiscal Agency Agreement are available for inspection during normal business hours by the Holders (as defined below) at the specified office of the Fiscal Agent. Holders are deemed to have notice of those provisions applicable to them of the Fiscal Agency Agreement.

### 1. FORM AND TRANSFER

#### 1.1 Form and Principal Amount

The Notes are in registered form and are issued on their date of issue and transferable in minimum principal amounts (the “**Principal Amount**”) of US\$200,000 and integral multiples of US\$1,000 in excess thereof. A security certificate (a “**Definitive Certificate**”) will be issued to each Holder in respect of its registered holding of Notes. Each Definitive Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Holders (the “**Register**”) which the Issuer will procure to be kept by the Paying Agent. The Notes will initially be represented by one or more certificates in global form (each, a “**Global Certificate**”). No individual certificates will be issued to Holders except upon the circumstances set forth in the Fiscal Agency Agreement. The Notes will be issued at the Issue Price.

#### 1.2 Title

Title to the Notes passes only by registration in the Register. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Definitive Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, “**Holder**” and (in relation to a Note) “**holder**” means the person in whose name a Note is registered in the Register (or, in the case of a joint holding, the first named thereof).

## **2. TRANSFERS OF NOTES AND ISSUE OF DEFINITIVE CERTIFICATES**

### **2.1 Transfers**

Subject as provided in Condition 2.4, a Note may be transferred by depositing the Definitive Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Fiscal Agent (or, in the case of a Note represented by a Global Certificate, delivery of a duly executed form of transfer as set forth in the Fiscal Agency Agreement), together with such evidence as the Fiscal Agent may reasonably require to prove title to the Notes that are the subject of the transfer and the authority of the individuals who have executed the form of transfer. Legal title to the Notes will pass upon registration of such transfer in the Register.

All transfers of Notes and entries in the Register will be made subject to the terms concerning transfers of Notes provided in the Fiscal Agency Agreement.

### **2.2 Delivery of new Definitive Certificates**

Each new Definitive Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Fiscal Agent of the duly completed form of transfer endorsed on the relevant Definitive Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note 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 where the Agents have their specified offices.

Where some but not all of the Notes in respect of which a Definitive Certificate is issued are to be transferred, a new Definitive Certificate in respect of the Principal Amount of Notes not so transferred will, within 10 business days of receipt by the Fiscal Agent of the original Definitive Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the Register (or, in the case of a joint holding, the first named thereof).

### **2.3 Formalities free of charge**

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or the Fiscal Agent but upon payment (or the giving of such indemnity as the Issuer or the Fiscal Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed on the Issuer or the Fiscal Agent (as the case may be) in relation to such transfer.

### **2.4 Closed periods**

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

## **3. STATUS AND NEGATIVE PLEDGE**

### **3.1 Status of the Notes**

The Notes constitute direct, general and unconditional obligations of the Issuer which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for such as may be preferred by mandatory provision of applicable law).

### 3.2 Negative Pledge

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

- (a) payment of any sum due in respect of any such International Investment Securities;
- (b) payment under any guarantee in respect of any such International Investment Securities; or
- (c) payment under any indemnity or other like obligation in respect of any such International Investment Securities,

without, in any such case and at the same time, according to the Notes the same security as is available for the benefit of the holders of such International Investment Securities.

“**International Investment Securities**” means notes, bonds, debentures, certificates of deposit or investment securities of any person which (i) by their terms either are payable, or confer a right to receive payment, in any currency other than Korean won or are denominated in Korean won and more than one-half of the aggregate principal amount of which is initially distributed outside Korea by or with the authorization of the Issuer and (ii) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market outside Korea.

## 4. GUARANTEE

Pursuant to the guarantee set out in Section 3 of the Fiscal Agency Agreement as evidenced by the notation of guarantee dated August 1, 2022 (the “**Guarantee**”), the Guarantor has given for the benefit of the Holders an unconditional and irrevocable guarantee for the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes as and when the same shall become due according to these Conditions. The Guarantee relating to the Notes constitutes a direct, general and unconditional obligation of the Guarantor which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor (save for such as may be preferred by mandatory provision of applicable law). The Guarantee will remain in full effect until the earlier of (i) the payment of all sums payable in respect of the relevant Notes having been paid in full and (ii) the Maturity Date.

## 5. INTEREST

### 5.1 Interest Payment Dates

The Notes bear interest from and including August 1, 2022 and such interest will be payable on each February 1 and August 1 (each an “**Interest Payment Date**”). If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day. The period beginning on August 1, 2022 and ending on (but excluding) the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an “**Interest Period**”.

If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day – count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.



## **5.2 Interest Payments**

Each Note will cease to bear interest from the due date for redemption unless, after surrender of the relevant Definitive Certificate, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at the rate set forth in Condition 5.3 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder, and (ii) the day seven days after the Fiscal Agent has notified Holders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions or any payment by the Issuer has subsequently become void).

## **5.3 Rate of Interest**

Interest on the Notes will accrue from and including August 1, 2022 at the rate of 4.500% per annum.

## **6. REDEMPTION**

### **6.1 Maturity**

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on August 1, 2025 (the “**Maturity Date**”). The Notes may not be redeemed at the option of the Issuer other than in accordance with Condition 6.2.

### **6.2 Early Redemption for Tax Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date, at their outstanding principal amount together with any accrued but unpaid interest thereon, on giving not less than 30 nor more than 60 days’ notice to the Fiscal Agent and the Guarantor and, in accordance with Condition 13, the Holders (which notice shall be irrevocable), if

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which (including the cessation of tax exemptions presently applicable) change or amendment becomes effective on or after July 25, 2022; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

### **6.3 Cancellations**

All Notes which are redeemed or purchased by or on behalf of the Issuer, or any of the Issuer’s Subsidiaries and which the Issuer elects to cancel, will forthwith be cancelled.

## 7. PAYMENTS

- 7.1 Payments of principal and interest in respect of each Note will be made by transfer to the registered account of the Holder or by U.S. dollar check drawn on a bank (nominated in writing to the Paying Agent by the Holder) that processes payments in U.S. dollar mailed to the registered address of the Holder if it does not have a registered account, provided that the nomination is received by the Paying Agent not later than 10 Payment Business Days before any date on which payment is scheduled. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the Register at the close of business on the date (the “**record date**”) being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition 7.1, a Holder’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. dollar, details of which appear on the Register at the close of business on the relevant record date, and a Holder’s “**registered address**” means its address appearing on the Register at that time.

- 7.2 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 and, where payment is to be made by cheque, the cheque will be mailed on the due date for payment, or if that is not a Payment Business Day, on the next succeeding Payment Business Day, without any interest or payment in respect of such delay.
- 7.3 Payments in respect of amounts payable by way of interest and on redemption of the Notes will be subject in all cases to: (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.
- 7.4 In this Condition, “**Payment Business Day**” means a day which is both: (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the city in which the Paying Agent has its registered office from time to time; and (b) a day on which banks are open for business in New York and Seoul.
- 7.5 Unless the context otherwise requires, any reference in these Conditions to principal in respect of the Notes shall be deemed to include any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

## 8. TAXATION AND GROSS-UP

### 8.1 Payment without withholding

All payments in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Relevant Jurisdiction (“**Relevant Taxes**”), unless the withholding or deduction of such Relevant 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 Holders after the withholding or deduction (including any withholding or deduction in respect of such payment of Additional Amounts) will equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no Additional Amounts will be payable in relation to any Relevant Taxes imposed on, withheld or deducted from any payment in respect of any Note:

- (a) held by or on behalf of a Holder or beneficial owner who is liable for such Relevant Taxes in respect of such Note by reason of having some connection with the Relevant Jurisdiction other than the mere holding of the Note or the receipt of payments or enforcement of rights thereunder; or
- (b) held by or on behalf of a Holder or beneficial owner who is liable for such Relevant Taxes in respect of the Note by reason of having some relationship with the Issuer for Korean tax purposes other than the mere holding of such Note; or
- (c) where such withholding or deduction is imposed by reason of a failure of a Holder or any other person to (i) comply with any certification, identification, information-provision or documentation requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction of the Holder or beneficial owner or (ii) comply with any other certification, identification, information-provision or documentation requirement, or enter into any agreement with any taxing authority, provided that (x) the Issuer or the Fiscal Agent has given the Holder at least 30 calendar days prior notice of an opportunity to satisfy such a requirement and (y) compliance is required or imposed by a statute, treaty, rule, regulation, agreement or administrative practice of the Relevant Jurisdiction as a condition or precondition to relief or exemption from all or part of such Relevant Taxes; or
- (d) where such withholding or deduction is imposed only by virtue of a Holder or any other person not having presented the Note (where presentation is required) for payment within 30 days after the date on which such payment becomes due and payable or the date on which such payment thereof is duly provided for, whichever occurs earlier, except to the extent such Holder or other person would be entitled to Additional Amounts had the Note been surrendered during such 30-day period; or
- (e) in the event that a Holder or any other person who holds an interest in the Note is a fiduciary, a partnership or any person other than the sole beneficial owner of such payment, where such withholding or deduction would not have been imposed had the beneficiary or settlor with respect to such fiduciary, member of such partnership or beneficial owner of such payment been the actual Holder of the Note; or
- (f) where such withholding or deduction is imposed as a result of any combination of (a) through (e) above.

Additionally, the obligation of the Issuer to pay such Additional Amounts shall not apply with respect to (i) any estate, inheritance, gift, sales, transfer or personal property tax or any similar taxes, duties, assessments or other governmental charges or (ii) any taxes, duties, assessments or other governmental charges that are payable otherwise than by deduction or withholding from payments on the Notes.

## **8.2 Additional Amounts**

Any reference in these Conditions to any amounts in respect of the Notes will be deemed also to refer to any Additional Amounts which may be payable under this Condition 8 or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Fiscal Agency Agreement.

## **8.3 Documentation**

The Issuer will provide the Fiscal Agent with the official acknowledgment, if any, of the Relevant Jurisdiction (or, if such acknowledgment is not available, other reasonable documentation) evidencing payment of any Relevant Taxes in respect of which the Issuer has paid any Additional Amounts. Copies of such documentation will be made available to the Holders or beneficial owners of the Notes by the Fiscal Agent upon written request therefor.

## **8.4 Other Taxes**

The Issuer will pay any stamp, issue, excise, registration, documentary or other similar taxes and duties, including interest and penalties, imposed by a Relevant Jurisdiction in respect of the creation, issue, delivery, registration and offering of the Notes. The Issuer will also pay and indemnify the Holders and beneficial owners of the Notes from and against all court taxes or other taxes and duties, including interest and penalties, paid by any of them in any jurisdiction in connection with any action permitted to be taken by the Holders and beneficial owners to enforce the Issuer's obligations under the Notes.

## **9. PRESCRIPTION**

A claim against the Issuer or the Guarantor for payment under these Conditions will become void unless made within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date relating thereto.

## **10. FURTHER ISSUES**

Subject to applicable law, the Issuer may from time to time without the consent of the Holders create and issue further securities or incur further debt obligations either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of Interest Amount thereon) and so that the same will be consolidated and form a single series with the Notes (provided, however, that any such issuance of securities shall be subject to the prior written consent of the Guarantor); or (b) upon such terms as to ranking, distributions or interest, conversion, redemption and otherwise as the Issuer may determine at the time of issue.

## **11. EVENTS OF DEFAULT**

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

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

- 11.2 **Breach of other obligations:** default is made in the performance or observance of any other obligation of the Issuer or the Guarantor under or in respect of the Notes and such default remains unremedied for 60 days after written notice thereof, addressed to the Issuer by any holder of Notes, has been delivered to the Issuer; or
- 11.3 **Cross-acceleration:** (1) any Indebtedness in aggregate exceeding US\$20,000,000 (or its equivalent in one or more currencies) of the Issuer is not paid within 30 days after the due date or, as the case may be, the expiry of any originally applicable grace period, (2) any Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (in the absence of any event of default, howsoever described) any person entitled to such Indebtedness or (3) the Issuer fails to pay within 30 days after the due date or, as the case may be, the expiry of any originally applicable grace period, any amount payable by it under any Surety; or
- 11.4 **Guarantee:** the Guarantor denies or disaffirms its obligations under the Guarantee or the Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect; or
- 11.5 **Enforcement proceedings:** an execution or other legal process is levied, enforced or sued out upon or against the whole or substantially the whole of the property of the Issuer or the Guarantor which is material in its effect upon the operations of the Issuer or the Guarantor and is not discharged or stayed within 60 days; or
- 11.6 **Cessation of Business:** the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its respective business save for the purposes of, or pursuant to and followed by, a consolidation, amalgamation, merger or reorganization the terms of which shall have previously been approved as a Special Matter by the Holders; or
- 11.7 **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer or the Guarantor; or
- 11.8 **Winding-up:** an order is made or an effective resolution is passed for the Winding-Up of the Issuer or the Guarantor; or
- 11.9 **Analogous event:** any event occurs which under the laws of Korea has an analogous effect to any of the events referred to in Conditions 11.1 to 11.8,

then the holder of any Note may, by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Fiscal Agent in accordance with Condition 13, declare such Note to be immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality. Any such notice shall specify the serial number of each Note in respect of which it is given.

## **12. VARIATION OF RIGHTS**

### **12.1 Variation without consent**

The Fiscal Agent may agree with the Issuer and the Guarantor, without the approval of Holders, to amend, modify, alter or add to either these Conditions or the provisions of the Fiscal Agency Agreement, if the Issuer is of the opinion that the amendment, modification, alteration or addition is:

- (a) of a formal, minor or technical nature;
- (b) made to correct an error which, in the opinion of the Issuer, is proven;
- (c) not materially prejudicial to the interests of Holders as a whole; or
- (d) to comply with mandatory provisions of law.

### **12.2 Meetings**

- (a) The Fiscal Agency Agreement contains provisions for convening meetings of the Holders to consider any matter relating to the Notes and/or the Fiscal Agency Agreement, including the modification or abrogation of any of these Conditions or any of the provisions of the Fiscal Agency Agreement, upon either the written consent of the Holders of not less than a majority in Principal Amount of the outstanding Notes or the approval of persons entitled to vote not less than a majority of the Principal Amount of such Notes represented and voting at a meeting of the Holders duly called. The quorum at such meeting shall be one or more persons entitled to vote a majority in Principal Amount of the outstanding Notes, or at an adjourned meeting, one or more persons entitled to vote 25% in Principal Amount of the outstanding Notes.
- (b) Notwithstanding Condition 12.1 above, for the purposes of passing a resolution at a meeting the business of which includes a Special Matter, no amendment, modification or abrogation shall be made to the Notes (including these Conditions) or the Fiscal Agency Agreement without the approval or written consent of the Holders of not less than 90% in Principal Amount of the then outstanding Notes or the approval of persons entitled to vote not less than 75% of the Principal Amount of such Notes represented and voting at a meeting of the Holders duly called, and where at such meeting a special quorum shall be required comprising one or more persons entitled to vote two-thirds in Principal Amount of the then outstanding Notes, or at an adjourned meeting, one or more persons entitled to vote one-third in Principal Amount of the then outstanding Notes.
- (c) On a poll each Holder of a Note present in person or by proxy and entitled to vote shall have one vote in respect of each US\$1,000 in Principal Amount of such Holder's Notes.
- (d) The Issuer, the Guarantor and the Fiscal Agent may, at any time and from time to time, without the consent of any Holders, amend or supplement the Fiscal Agency Agreement or these Conditions: (i) to evidence the succession of another person to the Issuer or the Guarantor and the assumption by any such successor of the covenants of the Issuer or the Guarantor, as applicable, in the Fiscal Agency Agreement and the Notes; (ii) to add to the covenants of the Issuer or the Guarantor for the benefit of the Holders or to surrender any right or power conferred on the Issuer or the Guarantor; (iii) to provide for the issuance of additional Notes in accordance with the limitations set forth in these Conditions and the Fiscal Agency Agreement; (iv) to cure any ambiguity or to correct or supplement any provision in the Fiscal Agency Agreement or these Conditions, which may be inconsistent with any other provision



therein, or to make any other provisions with respect to matters or questions arising under the Fiscal Agency Agreement that are not inconsistent with the provisions of the Fiscal Agency Agreement; provided that such action shall not adversely affect the interests of the Holders in any material respect; or (v) to make any other modifications to the Notes or the Fiscal Agency Agreement of a formal, minor or technical nature or necessary in the reasonable opinion of the Issuer to correct a manifest error or, in reliance on an opinion of counsel delivered to the Fiscal Agent, to comply with mandatory provisions of the laws of Korea so long as such modification does not adversely affect the rights of any Holder in any material respect.

### **12.3 Waiver, authorization and determination**

The Fiscal Agent may agree, without the consent of the Holders, to the waiver or authorization of any breach or proposed breach of, any of these Conditions or any of the provisions of the Fiscal Agency Agreement, provided that it is not, in the opinion of the Issuer, materially prejudicial to the interests of the Holders.

### **12.4 Notification to the Holders**

Any modification, abrogation, waiver, determination, authorization or substitution pursuant to or described in this Condition 12 shall be (i) binding on the Holders, whether or not they are present at any meeting and whether or not they voted, and (ii) notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 13.

### **12.5 Compliance with stock exchange rules**

In connection with any amendment, modification, alteration, addition or substitution under this Condition 12, the Issuer will comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

## **13. NOTICES**

All notices regarding the Notes shall be valid if sent by post to the Holders at their respective addresses in the Register (which, in the case of a Global Certificate, is expected to consist solely of the common depositary of Euroclear or Clearstream or its nominee, or any successor thereto) and, if and for so long as the Notes are listed on the SGX-ST and the rules of that exchange so require, published in a newspaper of general circulation in Singapore and/or (where applicable) on the SGX-ST's website. 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 Notes 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 Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or an alternative clearing system appointed in accordance with the terms of the Notes and the Fiscal Agency Agreement, notices to Holders 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 Euroclear, Clearstream or an alternative clearing system as aforesaid.

The Issuer shall provide the Guarantor with a copy of each notice it is required to provide to the Holders or an Agent.

## **14. AGENTS**

Under the terms of the Fiscal Agency Agreement, the Issuer has the right to terminate the appointment of any Agent and appoint a successor provided that there shall at all times be:

- (a) at least one paying agent, provided that so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged for Definitive Certificates, and unless the Issuer obtains an exemption from the SGX-ST, the Issuer will appoint and maintain a paying agent in Singapore, where the Definitive Certificates may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for Definitive Certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore;
- (b) a fiscal agent;
- (c) a registrar; and
- (d) a transfer agent.

## **15. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **15.1 Governing law**

The Notes and the Guarantee are governed by, and will be construed in accordance with, the laws of the State of New York.

### **15.2 Jurisdiction**

In relation to any suit, legal action or proceedings arising out of or in connection with the Notes, each of the Issuer and the Guarantor will irrevocably submit to the jurisdiction of the New York State and United States Federal courts sitting in the Borough of Manhattan, New York City.

### **15.3 Appointment of process agent**

The Issuer has irrevocably and unconditionally appointed Cogency Global Inc. at 10 E. 40th Street, 10th floor, New York, NY 10016 as its agent for service of process in respect of any suit, action or proceedings arising out of or in connection with the Notes and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as its agent for that purpose.

The Guarantor has irrevocably and unconditionally appointed Kookmin Bank, New York Branch at 565 Fifth Avenue, 24th Floor, New York, New York 10017 as its agent for service of process in respect of any suit, action or proceedings arising out of or in connection with the Notes and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as its agent for that purpose.

## 15.4 Waiver of Immunity

To the extent that the Issuer or the Guarantor has or hereafter may acquire any immunity (sovereign or otherwise) from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution, set-off or otherwise) with respect to themselves or their respective property and assets or the Notes (in the case of the Issuer) or the Guarantee (in the case of the Guarantor), the Issuer and the Guarantor hereby irrevocably and unconditionally waive, and agree not to plead or claim, any such immunity, and consent to the relief or enforcement, in respect of its respective obligations under the Notes (in the case of the Issuer) or the Guarantee (in the case of the Guarantor) to the fullest extent permitted by applicable law.

## 16. DEFINITIONS

Unless the context otherwise requires, the following terms will have the following meanings in these Conditions:

“**Additional Amounts**” has the meaning specified in Condition 8.1.

“**Business Day**” means a day on which banks are open for business in New York City, Seoul, London and Hong Kong.

“**Conditions**” means these terms and conditions of the Notes.

“**Definitive Certificate**” has the meaning specified in Condition 1.1.

“**Fiscal Agency Agreement**” has the meaning specified in the preamble to these Conditions.

“**Fiscal Agent**” means has the meaning specified in the preamble to these Conditions.

“**Global Certificate**” has the meaning specified in Condition 1.1.

“**Holder**” has the meaning specified in Condition 1.2.

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

“**Interest Amount**” means the amount payable per U.S.\$1,000 in principal amount of the Notes on an Interest Payment Date.

“**Interest Payment Date**” has the meaning specified in Condition 5.1.

“**Interest Period**” has the meaning specified in Condition 5.1.

“**International Investment Securities**” has the meaning specified in Condition 3.2.

“**Issue Price**”, in relation to a Note, has the meaning specified in the prospectus or other issuance documentation in respect of that Note.

**“Issuer”** means LOTTE Property & Development Co, Ltd.

**“Payment Business Day”** has the meaning specified in Condition 7.4.

**“Principal Amount”** has the meaning specified in Condition 1.1.

**“Register”** has the meaning specified in Condition 1.1.

**“Registrar”** has the meaning specified in the preamble to these Conditions.

**“Relevant Date”** means the date on which the relevant payment first becomes due but, if the full amount of the money payable has not been received by the relevant 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 Holders by the Issuer.

**“Relevant Jurisdiction”** means the Republic of Korea or any political subdivision or any authority thereof or therein having power to tax or, in the event of any substitution, Solvent Reorganization or other corporate action resulting in the Issuer being tax resident in any other jurisdiction, that other jurisdiction or any political subdivision or any authority thereof or therein having power to tax.

**“Relevant Taxes”** has the meaning specified in Condition 8.1.

**“SGX-ST”** means the Singapore Exchange Securities Trading Limited.

**“Solvent Reorganization”** means, with respect to the Issuer, solvent Winding-Up, deregistration, dissolution, scheme of arrangement or other reorganization of the Issuer solely for the purposes of a consolidation, amalgamation, merger or reconstruction under which the continuing or resulting corporation effectively assumes the obligations of the Issuer under the Notes and the Fiscal Agency Agreement.

**“Special Matter”** means each of the following matters:

- (i) reduction or cancellation of the amount payable or, where applicable, modification, except where such modification is in the opinion of the Fiscal Agent bound to result in an increase of any principal or interest in respect of the Notes;
- (ii) modification of the date of payment in respect of any principal or interest in respect of the Notes;
- (iii) alteration of the currency in which payments under the Notes are to be made;
- (iv) modification or waiver of the provisions regarding the negative pledge of the Issuer referred to in Condition 3.2 (Negative Pledge);
- (v) alteration of the obligations of the Issuer under Conditions 6 (Redemption), 8 (Taxation and Gross-up) or 11 (Events of Default);
- (vi) the terms of any consolidation, amalgamation, merger or reorganization of the Issuer or the Guarantor;

(vii) reduction of any of the percentage voting and quorum provisions in Condition 12; or

(viii) modification of any of the above matters constituting the Special Matters.

**“Subsidiary”** means any corporation or other business entity of which one person owns or controls (in either case, either directly or through another Subsidiary or other Subsidiaries) 50% or more of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such corporation or other business entity (other than capital stock or other ownership interest of any other class or classes which has voting power only upon the occurrence of any contingency).

**“Surety”** means any obligation of any person(s) to pay any Indebtedness of another person(s) in an aggregate principal amount of not less than US\$10,000,000 including, without limitation, (1) any obligation to purchase such Indebtedness, (2) any obligation to lend or give money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (3) any indemnity against the consequences of a default in the payment of such Indebtedness and (4) any other agreement to be responsible for such Indebtedness.

**“Transfer Agent”** has the meaning specified in the preamble to these Conditions.

**“Winding-Up”** means, with respect to the Issuer or the Guarantor, a final and effective order or resolution for the bankruptcy (as set forth in Part 3 of the Debtor Rehabilitation and Bankruptcy Act of Korea), winding up, liquidation or any other proceedings in respect of the Issuer or the Guarantor, as the case may be, which commences with a view to liquidation of the Issuer or the Guarantor, as the case may be.

## **THE GLOBAL CERTIFICATE**

*The Global Certificate contains provisions that apply to the Notes in respect of which it is issued, some of which modify the effect of the Conditions of the Notes set out in this Offering Circular. The following is a summary of provisions of the Notes while in global form.*

### **MEETINGS**

The registered holders of the Notes in respect of which the Global Certificate is issued will be treated as being one person for the purposes of any meeting of Holders, and at any such meeting, as having one vote in respect of each US\$1,000 in principal amount of the Notes in respect of which the Global Certificate is issued.

### **CANCELLATION**

Cancellation of any Notes following its redemption or purchase by the Issuer will be effected by a reduction in the principal amount of the Notes in the register of Holders.

### **TRANSFERS**

Transfers of interests in the Notes will be effected through the records of Euroclear and Clearstream, and their respective participants in accordance with their respective rules and operating procedures.

### **NOTICES**

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or an alternative clearing system appointed in accordance with the terms of the Notes and the Fiscal Agency Agreement, notices to the Holders 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 Euroclear, Clearstream or an alternative clearing system.

### **SINGAPORE PAYING AGENT**

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged for Definitive Certificates, and unless the Issuer obtains an exemption from the SGX-ST, the Issuer will appoint and maintain a paying agent in Singapore, where the Definitive Certificates may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for Definitive Certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore.



## **USE OF PROCEEDS**

The net proceeds to the Issuer from this offering (after deducting underwriting commissions but not other estimated expenses relating to the offering) are expected to be US\$298,443,000. The Issuer expects to use the net proceeds from the offering of the Notes to finance or refinance, in part or in full, new and/or existing Eligible Projects (as defined in the Sustainable Finance Framework). See “Sustainable Finance Framework.”

The Issuer expects to allocate the amount equal to the net proceeds of the sale of Notes to Eligible Projects within two years of the issue date of the Notes in accordance with the evaluation and selection process described in the Sustainable Finance Framework. Any portion of the net proceeds from the Notes that has not yet been allocated to Eligible Projects may temporarily be invested in cash, deposits and money market instruments in accordance with the Issuer’s investment guidelines.

## SUSTAINABLE FINANCE FRAMEWORK

### THE ISSUER'S SUSTAINABILITY GOALS

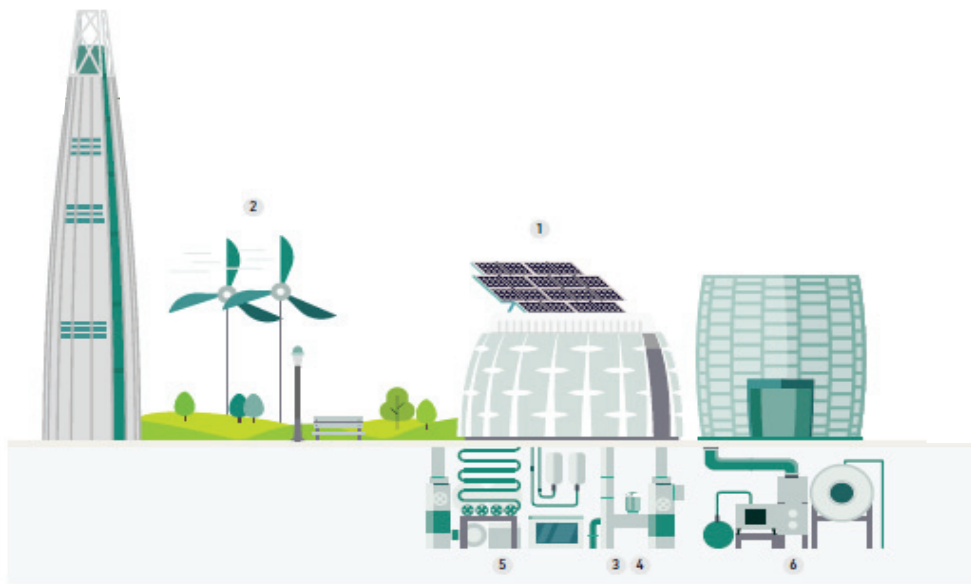
In line with Lotte Group's environmental, social and governance ("ESG") commitment and strategy, the Issuer aims to combine economic growth with environmental and social performance. In July 2021, Lotte Group held the ESG Management Declaration Ceremony and announced its plans to achieve net-zero carbon emissions by 2040 and established an ESG committee under its board of directors. For Lotte Group's goal of achieving net-zero emissions by 2040, it has set a clear direction at the Group level and plans to establish an ESG strategy for each of its business units and affiliates to act upon.

The Issuer's operations incorporate ambitious sustainability practices, as reflected by the environmental credentials of LOTTE World Tower, the Issuer's main asset which demonstrates the Issuer's ambition to meet the highest environmental standards.

LOTTE World Tower is a landmark building that is well-known for being the tallest building in Korea. In addition to its record of being the tallest building, it also has the record of being the first building to be built from a sustainability perspective. LOTTE World Tower was designed to be eco-friendly from the planning phase, with the goal of achieving new and renewable energy power generation and efficient management, and became the first building in the world to receive LEED (Leadership in Energy and Environmental Design) Gold certification in the high-rise new construction category.

LOTTE World Tower and Mall are equipped with a number of cutting-edge features designed for superior energy efficiency and sustainability. As a leading example, they installed water thermal storage and geothermal cooling and heating systems, solar panel and wind and photovoltaic power generation facilities, and generates around 15% of the total amount of energy they consume. They also run an "Energy Center" as a way to ensure efficient energy management. The Energy Center manages energy power generation and consumption through an energy monitoring system in real time. In addition, LOTTE World Tower operates a "Water Saving Center," which is equipped with water recycling facilities and rainwater tanks, to re-use around 100 thousand tons of recycled water, accounting for 15% of the 640 thousand tons of total water used.

### SNAPSHOT OF LOTTE WORLD TOWER AND MALL'S GREEN PROJECTS



1. Photovoltaic power generation and solar water heating systems
  - Energy facilities installed at LOTTE World Tower rooftop and other locations of the complex
  - Annual electric power generation of 3,151 Megawatt-hours (“MWh”); and reduction of hot water energy consumption by 361 MWh
2. Wind turbines
  - Renewable energy power generation facilities installed on the rooftop of LOTTE World Mall and at grass square of World Park
  - Annual electric power generation of 6 MWh; and reduction of CO<sub>2</sub> emissions by 3 tons
3. Hydrothermal energy power generation
  - One of the largest hydrothermal energy power generation facilities in Korea
  - Supply of 3,000 refrigeration ton (“RT”), which is 10% of total cooling and heating; and reduction of annual energy consumption by 35.8% and CO<sub>2</sub> emissions by 37.7% compared to an absorption water cooler and heater with the same capacity
4. Energy center
  - Manages the amount of power generation, amount of electricity by date and time, GHG emissions, year-on-year changes and the rate of achievement of energy goals.
5. Geothermal cooling and heating system
  - One of the largest geothermal energy heat exchangers in Korea based on a single building
  - Annual heat production of 115.69 terajoules (“TJ”); and reduction of annual cooling and heating energy by 15,117 MWh
6. Water saving center
  - Water recycling facilities with a capacity of 1,200 tons and rainwater tanks with a capacity of 1,900 tons
  - Use of recycled water that accounts for approximately 15% of the 640 thousand tons, or about 100 thousand tons, of total water consumption

The Issuer has also expanded its sustainable property development and operations overseas. As a leading example, Lotte Center Hanoi in Vietnam is the city’s first intelligent multiplex building which maximizes the efficiencies of its energy and water usage. Standing at 272 meters, it is the second tallest high-rise building in the country and built with low-carbon dioxide concrete. Lotte Center Hanoi’s unique sky garden geometry leads to a 70% reduction in electrical lighting use and the membrane bioreactors built into its basement treat all wastewater on site.

The Issuer also demonstrates a strong commitment towards local community support. In accordance with the aim of making a positive social contribution towards its local community, the Issuer has continuously supported and operated corporate volunteering programs, such as “The Maru” campaign which includes activities for underprivileged local kids or services to isolated local seniors, and the “Park Dolbomi” campaign to plant new trees in public parks and forests. In addition, the Issuer entered into a business agreement with Korea Environment Corporation to improve the water quality of Seokchon Lake and to prevent algal bloom. The Issuer also has made constant efforts to generate employment for low-income population and to improve the work environment for its employees.

The Issuer will continue to pursue sustainable growth, incorporating both green and social aspects, in line with Lotte Group’s sustainability strategies and policies, and aims to report clearly about the outcomes to its clients and investors.

## EMERGENCE OF SUSTAINABLE FINANCE

The Issuer has set up the Sustainability Bond Framework in 2018, which was developed to address the four key pillars (Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting) of the Green Bond Principles (“GBP”) 2018 and the Sustainability Bond Guidelines (“SBG”) 2018, to issue Green Bonds and Sustainability Bonds, and facilitate the transparency, disclosure, integrity and quality in its sustainable financing activities for interested investors and stakeholders.

Since the establishment of Sustainability Bond Framework, the Issuer has issued sustainability bonds in 2018 and 2019 and annually reported on its usage through the Sustainability Newsletter.

Issue Date	Maturity Date	Currency	Amount in	Coupon	Classification	ISIN
			millions of USD			
Aug 6, 2019 . . . Aug 6, 2022		US Dollar	300	FLOAT	Sustainability	XS2036534761
Aug 7, 2018 . . . Aug 7, 2021		US Dollar	200	FLOAT	Sustainability	XS1852560819

In order to continue on with a strong ESG commitment and to keenly follow the current practices in the sustainable financing market, the Issuer has established a newly updated Sustainable Finance Framework.

## THE ISSUER’S SUSTAINABLE FINANCE FRAMEWORK

To support its commitment towards sustainability, the Issuer has established an updated Sustainable Finance Framework (the “Framework”). Sustainable Financing Transactions (“SFTs”) will include bonds and loans with structures tailored to contribute to sustainable development by applying their proceeds to Eligible Green Projects as defined in the Framework.

- With respect to bonds, bonds issued under the Framework will be aligned with the ICMA principles, the 2021 Green Bond Principles (“GBP”), the 2021 Social Bond Principles (“SBP”) and the 2021 Sustainability Bond Guidelines (“SBG”), as they may subsequently be updated.
- With respect to loans, loans issued under the Framework will be aligned with the 2021 Green Loan Principles including the Guidance Notes (“GLP”) and the 2021 Social Loan Principles including the Guidance Notes (“SLP”), as they may subsequently be updated.
- Other SFTs may conform to other sustainable finance principles as may have been established at the time of such financing transaction.

SFTs do not place any restrictions on the tenor and currency, and can include other terms and conditions including covenants, to reflect the financing strategy and plans of the Issuer as well as the outcome of the commercial discussions between the issuer/borrower and manager/arranger/lender.

SFTs may be conducted in any jurisdiction and market reflecting the Issuer's current and future business needs. The Framework is applicable for potential issuances from subsidiaries or joint ventures of the Issuer.

Each SFT will adopt the following core components of the GBP, SBP, SBG and GLP:

- Use of proceeds;
- Process for project evaluation and selection;
- Management of proceeds;
- Reporting

The Framework also covers external review.

The Framework will be in force as long as there are live SFTs. The Issuer may update the Framework and commits that any new version will keep or improve the current level of transparency and reporting. The Issuer also commits to communicate any changes to its investors via its official website.

## **USE OF PROCEEDS**





The net proceeds of the SFTs will be used to finance or refinance, in whole or in part, new or existing Eligible Green and Social Projects ("Eligible Projects"), which follow the criteria set out below ("Eligibility Criteria").

The proceeds of a Green Bond or a Green Loan issued under the Framework will be applied to projects that fall under the Eligible Green Project Categories set out below.


The proceeds of a Sustainability Bond issued under the Framework will be applied to both Eligible Expenditures with Green focus set out in the Eligible Green Project Categories section below, and the Eligible Expenditures with Social focus set out in the Eligible Social Project Categories section below.

## Eligible Green Project Categories

The net proceeds of the Green Bonds will be used to fund or refinance, in whole or in part, new or existing eligible green projects that meet one or more of the following categories of eligibility as recognized in the 2021 GBP (“Eligible Green Projects”):




Project Category	Eligible Green Projects and Eligibility Criteria for the Issuer	United Nations Sustainable Development Goals (“UN SDGs”)
<b>Green Buildings</b>  	<ul style="list-style-type: none"> <li>Acquisition, new construction, renovation, maintenance and operation of new or existing buildings that have or will receive, any one of the following certification systems: <ul style="list-style-type: none"> <li>U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or</li> <li>BREEAM – minimum certification level of Excellent; or</li> <li>G-SEED – minimum 2 or above</li> <li>LOTUS – minimum Gold or above</li> </ul> </li> </ul>	<p><b>SDG 9.4:</b> By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p> <p><b>SDG 11.6:</b> By 2030, reduce the adverse per capita, environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p>
<b>Sustainable Water Management</b> 	<ul style="list-style-type: none"> <li>Construction, development, installation, operation and maintenance of infrastructure or equipment for collection, treatment, recycling or reuse water, rainwater or wastewater</li> </ul>	<p><b>SDG 6.4:</b> By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p>
<b>Renewable Energy</b> 	<ul style="list-style-type: none"> <li>Design, construction, installation and operation of renewable energy systems, including solar (photovoltaic) for rooftop</li> </ul>	<p><b>SDG 7.2:</b> By 2030, increase substantially the share of renewable energy in the global energy mix</p>



Project Category	Eligible Green Projects and Eligibility Criteria for the Issuer	United Nations Sustainable Development Goals (“UN SDGs”)
<b>Clean Public Transportation Infrastructure</b> 	<ul style="list-style-type: none"> <li>Investment and expenditure in relation to providing clean public transportation infrastructure, in the vicinity of Lotte P&amp;D commercial buildings, including: <ul style="list-style-type: none"> <li>Pedestrian infrastructure</li> <li>Public bicycle infrastructure</li> </ul> </li> </ul>	<b>SDG 11.2:</b> By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

### Eligible Social Project Categories

The net proceeds of the Social Bonds will be used to fund or refinance, in whole or in part, new or existing eligible social projects that meet one or more of the following categories of eligibility as recognized in the 2021 SBP (“Eligible Social Projects”):

Project Category	Eligible Social Projects and Eligibility Criteria for the Issuer	UN SDGs
<b>Affordable Basic Infrastructure and Access to Essential Services</b>  	<ul style="list-style-type: none"> <li>Investment and expenditure in relation to providing the following community infrastructure: <ul style="list-style-type: none"> <li>Communal landscapes such as children’s playground and rest area</li> </ul> </li> </ul>	<b>SDG 11.1:</b> By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
<b>Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment</b> 	<ul style="list-style-type: none"> <li>Investment and expenditure in relation to the improvement of professional conditions of disabled or low-income individuals</li> <li>Priority considerations given to low-income or disabled candidates when hiring new employees</li> </ul>	<b>SDG 8.5:</b> By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

## **Exclusions**

The following industries are excluded from consideration for eligibility (“Exclusions”):

- Large-scale hydropower projects (>25 MW capacity)
- Electricity transmission infrastructure/systems where 25% or more of electricity transmitted to the grid is generated using fossil fuels
- Afforestation operations on land designated as primary forest, high conservation value areas, or legally preserved areas
- Adult entertainment
- Alcohol/alcoholic beverages
- Tobacco products
- Gambling
- Weapons and small arms

## **PROCESS FOR PROJECT EVALUATION AND SELECTION**

A dedicated Sustainable Finance Committee (the “Committee”) was established to ensure compliance with the Framework and to oversee the entire issuance process. The Committee is composed of the Issuer’s representatives from the Finance & Accounting Team, the Risk Management Group, the IT Group and Lotte Group’s CSR Team. The Committee will meet at least once every 12 months to review and select Eligible Projects. The Issuer will therefore ensure that the selected Eligible Projects comply not only with the Use of Proceeds section but also with environmental and social guidelines applicable to its operations.

The Committee will also be responsible for managing any future update to the Framework, including expansions of the use of proceeds. Any changes to the Framework will be published on the Issuer’s website.

Eligible Projects may include new projects, projects under construction or in the Issuer’s portfolio, with a disbursement date no older than 24 months.

## **MANAGEMENT OF PROCEEDS**

In accordance with the evaluation and selection process presented above, the Green and Sustainability Bond proceeds will be allocated to Eligible Projects and managed by the Issuer’s Finance & Accounting Team in consultation with the Sustainable Finance Committee.

The Issuer commits to use its best efforts to allocate all SFT proceeds to Eligible Projects within two years of the SFT issuance in accordance with the evaluation and selection process presented above.

The Issuer will monitor the allocation to Eligible Projects and track the net proceeds through its internal accounting system. Pending allocation to Eligible Projects, unallocated proceeds may temporarily be invested in accordance with the Issuer’s investment guidelines in cash, deposits and money market instruments.

In the case of divestment from initial Eligible Projects, the net proceeds will be re-allocated to other Eligible Projects which are compliant with the evaluation and selection process defined above.

## REPORTING

The Issuer intends to publish a “Sustainability Newsletter” annually, until at least the net proceeds of the SFT have been fully allocated, which will include an allocation and impact reporting as per below:

### Allocation reporting

1. Amount allocated to each Eligible Projects
2. Breakdown of Eligible Projects by Project Category
3. Unallocated proceeds at the end of the reporting period
4. Where feasible, case studies of projects financed

### Impact reporting

The Issuer will report on the environmental and social impacts associated with the Eligible Projects funded with the net proceeds of the SFTs where possible.

On a best effort basis and subject to data availability, the impact reporting may include, but is not limited to, impact metrics as outlined in the table below. The Issuer may make certain assumptions about the units in use as well as the relevant benchmark emissions and will clearly state these in the reporting:

Project Category	Impact Indicators
Green Buildings . . . . .	<ul style="list-style-type: none"><li>• Level of certification by property</li><li>• Energy efficiency gains in MWh or percentage change vs. baseline</li><li>• Annual GHG emissions reduced/avoided (tCO<sub>2</sub>eq)</li><li>• Annual energy savings (MWh pa)</li><li>• Annual reduction in water consumption (litres)</li></ul>
Sustainable Water Management . . . . .	<ul style="list-style-type: none"><li>• Amount of water recycled (litres)</li><li>• Amount of water reused (litres)</li></ul>
Renewable Energy. . . . .	<ul style="list-style-type: none"><li>• Renewable energy produced (MWh)</li><li>• Renewable energy capacity (MW)</li><li>• Annual GHG emissions reduced/avoided (tCO<sub>2</sub>eq)</li><li>• Annual energy savings (MWh pa)</li></ul>
Clean Public Transportation Infrastructure . . . . .	<ul style="list-style-type: none"><li>• Estimated capacity of the public bicycle infrastructure (in number of bicycles)</li><li>• Estimated capacity of the pedestrian infrastructure (in number of pedestrians)</li></ul>
Affordable Basic Infrastructure and Access to Essential Services . . . . .	<ul style="list-style-type: none"><li>• Social impact indicators and their methodologies;</li><li>• Projected social impact (verified by a third-party whenever possible); and</li><li>• Expected and additional social benefits.</li></ul>
Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment. . . . .	<ul style="list-style-type: none"><li>• Number of job created</li><li>• Number of people supported</li></ul>

## CAPITALIZATION OF THE BANK

The following table sets forth the Bank's capitalization, defined as the sum of its borrowings and debentures and its equity, as of March 31, 2022:

	As of March 31, 2022  (in billions of Won)
Borrowings and debentures <sup>(1)</sup> . . . . .	₩ 65,137
Equity	
Capital stock, par value ₩5,000	
Authorized – 1,000,000,000 shares	
Issued and outstanding common stock – 404,379,116 shares . . . . .	₩ 2,022
Hybrid securities . . . . .	575
Capital surplus . . . . .	5,025
Accumulated other comprehensive income . . . . .	1,003
Retained earnings . . . . .	23,594
Non-controlling interests in equity . . . . .	211
Total equity . . . . .	₩ 32,430
Total capitalization . . . . .	₩ 97,567

*Note:*

- (1) Consists of borrowings of ₩36,040 billion (excluding call money and bonds sold under repurchase agreements and others) and debentures of ₩29,097 billion.

In June 2022, the Bank issued an aggregate principal amount of ₩300 billion of Won-denominated hybrid securities. Except as set forth herein, there has been no material change in the capitalization of the Bank since March 31, 2022.

## EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the Market Average Exchange Rate. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

Period	At End of Period	Average Rate <sup>(1)</sup>	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
2022 (through July 25) .....	1,311.7	1,242.1	1,323.7	1,185.5
January .....	1,202.4	1,194.0	1,202.4	1,185.5
February .....	1,202.7	1,198.3	1,205.7	1,192.1
March .....	1,210.8	1,221.0	1,241.7	1,203.6
April .....	1,269.4	1,232.3	1,269.4	1,210.7
May .....	1,245.8	1,269.9	1,286.4	1,245.8
June .....	1,292.9	1,277.4	1,300.7	1,238.4
July (through July 25) .....	1,311.7	1,306.9	1,323.7	1,294.2

*Source: Seoul Money Brokerage Services, Ltd.*

*Note:*

- (1) The average rate for each year is calculated as the average of the Market Average Exchange Rates on each business day during the relevant year (or portion thereof). The average rate for a month is calculated as the average of the Market Average Exchange Rates on each business day during the relevant month (or portion thereof).

## SELECTED FINANCIAL AND OPERATING DATA OF THE BANK

### SELECTED FINANCIAL DATA

The selected financial data as of and for the years ended December 31, 2020 and 2021 set forth below have been derived from the Bank's audited consolidated financial statements included elsewhere in this Offering Circular, which have been prepared in accordance with Korean IFRS. The selected financial data as of March 31, 2022 and for the three months ended March 31, 2021 and 2022 have been derived from the Bank's unaudited interim consolidated financial statements included elsewhere in this Offering Circular, which have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

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

	Year ended December 31,		Three months ended March 31,	
	2020	2021	2021	2022
	(in billions of Won)			
<b>Consolidated statements of comprehensive income data</b>				
Interest income . . . . .	₩ 10,456	₩ 10,674	₩ 2,544	₩ 3,079
Interest expense . . . . .	(3,701)	(2,946)	(735)	(939)
<b>Net interest income . . . . .</b>	<b>6,755</b>	<b>7,728</b>	<b>1,809</b>	<b>2,140</b>
Fee and commission income . . . . .	1,450	1,587	405	368
Fee and commission expense . . . . .	(382)	(399)	(88)	(97)
<b>Net fee and commission income . . . . .</b>	<b>1,068</b>	<b>1,188</b>	<b>317</b>	<b>271</b>
<b>Net gains on financial instruments at fair value through profit or loss . . . . .</b>	<b>244</b>	<b>343</b>	<b>128</b>	<b>32</b>
<b>Net other operating expenses . . . . .</b>	<b>(230)</b>	<b>(820)</b>	<b>(222)</b>	<b>(198)</b>
<b>General and administrative expenses . . . . .</b>	<b>(4,201)</b>	<b>(4,403)</b>	<b>(1,025)</b>	<b>(1,021)</b>
<b>Operating income before provision for credit losses . . . . .</b>	<b>3,635</b>	<b>4,037</b>	<b>1,008</b>	<b>1,223</b>
Provision for credit losses . . . . .	(484)	(523)	(57)	(12)
<b>Net operating income . . . . .</b>	<b>3,151</b>	<b>3,514</b>	<b>951</b>	<b>1,212</b>
Share of profit (loss) of associates . . . . .	(48)	57	37	(1)
Net other non-operating income (expenses) . . . . .	29	(80)	(17)	4
<b>Net non-operating income (expenses) . . . . .</b>	<b>(19)</b>	<b>(22)</b>	<b>20</b>	<b>4</b>
<b>Profit before income tax expense . . . . .</b>	<b>3,132</b>	<b>3,492</b>	<b>971</b>	<b>1,215</b>
Income tax expenses . . . . .	(812)	(954)	(281)	(241)
<b>Profit for the year . . . . .</b>	<b>₩ 2,320</b>	<b>₩ 2,538</b>	<b>₩ 691</b>	<b>₩ 975</b>



	Year ended December 31,		Three months ended March 31,	
	2020	2021	2021	2022
	(in billions of Won)			
(Adjusted profit after provision of regulatory reserve for credit losses) <sup>(1)</sup> . . . . .	2,206	2,210	647	940
Items that will not be reclassified to profit or loss:				
Remeasurements of net defined benefit liabilities . . . . .	(4)	(72)	(2)	(8)
Gains (losses) on equity instruments at fair value through other comprehensive income . . . . .	667	874	28	(212)
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences . . . . .	(155)	208	88	66
Gains (losses) on debt securities at fair value through other comprehensive income . . . . .	31	(274)	(81)	(223)
Share of other comprehensive income (loss) of associates . . . . .	(7)	0	0	0
Gains (losses) on hedging instruments of net investments in foreign operations . . . . .	61	(54)	(30)	(20)
Gains (losses) on cash flow hedging instruments . . . . .	(6)	10	2	7
<b>Other comprehensive income (loss) for the year, net of tax . . . . .</b>	<b>586</b>	<b>692</b>	<b>5</b>	<b>(389)</b>
<b>Total comprehensive income for the year . . . . .</b>	<b>₩ 2,906</b>	<b>₩ 3,230</b>	<b>₩ 696</b>	<b>₩ 585</b>
<b>Profit attributable to:</b>				
Shareholders of the parent company . . . . .	₩ 2,298	₩ 2,591	₩ 688	₩ 977
Non-controlling interests . . . . .	21	(53)	2	(3)
	<b>₩ 2,320</b>	<b>₩ 2,538</b>	<b>₩ 691</b>	<b>₩ 975</b>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the parent entity . . . . .	₩ 2,906	₩ 3,266	₩ 684	₩ 585
Non-controlling interests . . . . .	(0)	(36)	12	(0)
	<b>₩ 2,906</b>	<b>₩ 3,230</b>	<b>₩ 696</b>	<b>₩ 585</b>

Note:

- (1) Please see Note 25 of the notes to the Bank's consolidated financial statements for 2020 and 2021 and Note 19 of the notes to the Bank's interim consolidated financial statements for the three months ended March 31, 2022 and 2021 included elsewhere in this Offering Circular.

	As of December 31,		As of
	2020	2021	March 31,
	(in billions of Won)		
Consolidated balance sheet data			
Assets			
Cash and due from financial institutions . . . . .	₩ 19,972	₩ 25,165	₩ 22,766
Financial assets at fair value through profit or loss . . . . .	16,042	18,834	18,732
Derivative financial assets . . . . .	4,457	2,966	4,092
Loans measured at amortized cost . . . . .	327,332	361,145	366,627
Financial investments . . . . .	58,286	63,745	66,116
Investments in associates . . . . .	441	391	396
Property and equipment . . . . .	4,042	3,934	3,925
Investment property . . . . .	318	325	337
Intangible assets . . . . .	963	1,028	1,014
Current income tax assets . . . . .	48	61	126
Deferred income tax assets . . . . .	58	150	164
Assets held for sale . . . . .	198	237	210
Other assets . . . . .	6,286	5,583	8,575
Total assets . . . . .	₩ 438,444	₩ 483,565	₩ 493,079
Liabilities			
Financial liabilities at fair value through profit or loss . . . . .	141	113	180
Derivative financial liabilities . . . . .	4,282	2,749	3,752
Deposits . . . . .	330,352	363,141	366,614
Borrowings <sup>(1)</sup> . . . . .	26,871	32,523	36,040
Debentures . . . . .	26,970	29,719	29,097
Provisions . . . . .	388	427	431
Net defined benefit liabilities . . . . .	165	155	202
Current income tax liabilities . . . . .	37	57	23
Deferred income tax liabilities . . . . .	347	702	549
Other liabilities . . . . .	18,482	21,090	23,761
Total liabilities . . . . .	408,036	450,676	460,649
Equity			
Capital stock . . . . .	2,022	2,022	2,022
Hybrid securities . . . . .	575	575	575
Capital surplus . . . . .	4,808	5,025	5,025
Accumulated other comprehensive income . . . . .	494	1,395	1,003
Retained earnings . . . . .	22,244	23,661	23,594
(Provision of regulatory reserve for credit losses) . . . . .	(2,442)	(2,534)	(2,915)
(Amounts estimated to be appropriated) . . . . .	(93)	(381)	(37)
Equity attributable to shareholders of the parent company . . . . .	30,143	32,678	32,219
Non-controlling interest equity . . . . .	265	211	211
Total equity . . . . .	30,408	32,889	32,430
Total liabilities and equity . . . . .	₩ 438,444	₩ 483,565	₩ 439,079

Note:

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

## SELECTED OPERATING DATA

Unless otherwise stated, the selected ratios and other operating data set forth below as of and for the years ended December 31, 2020 and 2021 and as of March 31, 2022 and for the three months ended March 31, 2021 and 2022 have been calculated based on the separate financial statements of the Bank prepared in accordance with Korean IFRS, which are not included in this Offering Circular.

	As of or for the year ended December 31,		As of or for the three months ended March 31,	
	2020	2021	2021	2022
	(%)			
Ratio of non-performing credits to total credits <sup>(1)</sup> . . . . .	0.21	0.15	0.23	0.15
Ratio of allowance to total credits <sup>(2)</sup> . . . . .	0.46	0.46	0.45	0.46
Net interest spread <sup>(3)</sup> . . . . .	1.48	1.56	1.54	1.64
Net interest margin <sup>(4)</sup> . . . . .	1.51	1.58	1.56	1.66
Total capital adequacy ratio <sup>(5)(9)</sup> . . . . .	17.78	17.47	18.49	17.70
Tier I capital adequacy ratio <sup>(6)(9)</sup> . . . . .	15.42	14.98	15.92	15.25
Common equity Tier I capital adequacy ratio <sup>(7)(9)</sup> . . . . .	15.10	14.70	15.60	14.97
Tier II capital adequacy ratio <sup>(8)(9)</sup> . . . . .	2.36	2.50	2.57	2.45

### Notes:

- (1) Includes loans, guarantees and other credits in both the banking and trust accounts, calculated in accordance with applicable FSS reporting guidelines.
- (2) Includes loans, guarantees and other credits in both the banking and trust accounts, and is calculated as the ratio of (i) allowance for credit losses in accordance with the FSS reporting guidelines to (ii) the aggregate outstanding balance of such credits in accordance with the FSS reporting guidelines.
- (3) Represents the difference between the average annual rate of interest earned on interest-earning assets and the average annual rate of interest paid on interest-bearing liabilities, calculated in accordance with applicable FSS reporting guidelines.
- (4) Derived by dividing net interest income (annualized, for interim periods) by average interest-earning assets, calculated in accordance with applicable FSS reporting guidelines.
- (5) Calculated as the ratio of the sum of Tier I and Tier II capital to risk-weighted assets, on a consolidated basis and in accordance with guidelines issued by the FSC. See “*Regulation and Supervision of the Bank – Legal and Regulatory Framework in Korea – Capital Adequacy.*”
- (6) Calculated as the ratio of Tier I capital to risk-weighted assets, on a consolidated basis and in accordance with guidelines issued by the FSC. See “*Regulation and Supervision of the Bank – Legal and Regulatory Framework in Korea – Capital Adequacy.*”
- (7) Calculated as the ratio of common equity Tier I capital to risk-weighted assets, on a consolidated basis and in accordance with guidelines issued by the FSC. See “*Regulation and Supervision of the Bank – Legal and Regulatory Framework in Korea – Capital Adequacy.*”
- (8) Calculated as the ratio of Tier II capital to risk-weighted assets, on a consolidated basis and in accordance with guidelines issued by the FSC. See “*Regulation and Supervision of the Bank – Legal and Regulatory Framework in Korea – Capital Adequacy.*”
- (9) Calculated based on the consolidated financial statements of the Bank prepared in accordance with Korean IFRS.

## THE ISSUER

*You should read the following summary as an introduction to the business of the Issuer and in conjunction with the Issuer's annual financial statements included elsewhere in this Offering Circular.*

### Overview

The Issuer is a property development company in Korea engaged in development and operation of high-rise, multi-purpose shopping mall, eco-friendly business projects and property and lease services business. The Issuer currently operates the Lotte World Tower, a 123-story, 555-meter skyscraper with a land area of 87,183 square meters, and the Lotte World Mall, the largest shopping complex in Korea, in Jamsil, Seoul.

The Lotte World Tower and Mall comprise the following:

- **Lotte World Tower:** *Signiel Seoul*, a world-class, six-star luxury hotel with 230 rooms; *Signiel Residences*, a high-quality “officetel” designed to create a productive business environment; *PREMIER7*, a premium office space offered exclusively to seven people in the world; *WorkFlex*, a new concept of a shared office with views of the urban skyline as well as a productive work environment; *SKY31 Convention*, a multi-purpose convention centre offering the highest level of service with modern facilities where international conferences, seminars, award ceremonies and various events can be held; *Prime Office*, a smart office space for leading global businesses; *SeoulSky*, the highest observation deck in Korea, located 500 meters aboveground; and *Podium*, multi-purpose facilities including a premium healthcare center, an aesthetics clinic, a finance center and a travel service agency; and
- **Lotte World Mall:** *Avenuel*, Korea's largest premium department store; *Lotte Duty-Free*, premium boutique duty-free stores; *Lotte World Mall*, a premium lifestyle shopping mall providing rich cultural, artistic and culinary experiences; *Lotte Hi-Mart*, a high-end electronics store; *Lotte Mart*, the largest supermarket in Korea; *Lotte Cinema*, the largest megaplex in Asia with 21 screens and more than 4,600 seats; *Lotte World Aquarium*, Korea's largest urban aquarium offering spectacular underwater experience; and *Lotte Concert Hall*, Korea's first vineyard-style classical music concert hall with 2,000 seats.

Moreover, the Lotte World Tower and Mall are equipped with a number of cutting-edge features designed for superior energy efficiency and sustainability, including: a green rooftop to create thermal insulation to save energy for heating and cooling; insulated glasses to reduce heat loss and block summer heat gain; water treatment facilities to recycle wastewater and store rainwater; high efficiency facilities; solar panels built on the rooftop to heat water and air; wind power built on the rooftop and the surrounding areas; a geothermal cooling and heating system; and a waste heat recycling system using heat source of wastewater to heat water.

### HISTORY

The Issuer was incorporated on June 15, 1982. On December 14, 1987, the Issuer acquired the building site for the Lotte World Tower and Mall in Jamsil, Seoul and, on May 19, 1998, received the construction permit to build a 36-story building on such site. Thereafter, following years of discussions with the relevant government authorities in respect of the maximum height limitation and related environmental assessments, on November 11, 2010, the Issuer successfully acquired the construction permit to build a 123-story building aboveground on the site. The Issuer opened the Lotte World Mall on October 14, 2014 and, following the completion of construction on February 9, 2017, opened the Lotte World Tower on April 3, 2017.

The Issuer is a member company of the Lotte Group, which was founded in 1967 with the incorporation of Lotte Confectionary Co., Ltd. and was one of the five largest business groups in Korea in terms of combined assets as of December 31, 2021, according to the Korea Fair Trade Commission. The Lotte Group comprised 88 companies, 11 of which were listed on the Korea Exchange, as of December 31, 2021. The Lotte Group has evolved from its origins as a confectionary company into a major business group, with interests in the food and beverage, retail distribution, tourism and service and chemical, engineering and construction and manufacturing industries.

## **REVENUES**

The Issuer's business operations comprise the development and operation of the Lotte World Tower and Mall. The Issuer currently derives revenues principally through rental income, property sales and property management fees. Rental payments by the tenants to which the Issuer leases spaces in the Lotte World Tower and Mall are calculated either as a percentage of the total sales generated at the concession or as a fixed monthly amount. Revenues from property sales are derived from sales of residences (*Signiel Residences*) and rent from shared offices (*WorkFlex*) and convention centres (*SKY31*) in the Lotte World Tower. Revenues from property management fees are derived from the services provided by the Issuer, such as cleaning, security, facility maintenance and other services. The Issuer charges a flat maintenance fee to the tenants of the Lotte World Tower and Mall.

## **COMPETITION**

The property development and operation industry in Korea is highly competitive. Nevertheless, given the Issuer's historical and current scope of business, which has focused on development and operation of the Lotte World Tower and Mall, the Issuer believes that it currently does not face significant competition from other players in the Korean property development and operation industry. If, however, the Issuer decides in the future to expand its scope of business to cover development and operation of properties other than the Lotte World Tower and Mall or other properties of the Lotte Group, the Issuer may begin to face increased competition from other players in the industry. Some of the competitors of the Issuer may have greater industry knowhow, greater financial resources, greater economies of scale and lower cost bases, any of which may give them a competitive advantage over the Issuer.

## **PROPERTIES**

The Issuer operates the Lotte World Tower and Mall, which is 100% owned by the Issuer. The Issuer anticipates an increase in the value of the Issuer's real estate assets, with acquisition of high-quality assets and increased responsible management made possible through the unification of ownership over its properties. The Issuer's registered offices are located inside the Lotte World Tower, at 300, Olympic-ro, Songpa-gu, Seoul, Korea.

## **LEGAL PROCEEDINGS**

The Issuer may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business. As of the date of the Offering Circular, the Issuer is not involved in any litigation or other legal proceedings, the outcome of which would, in the reasonable judgment of its management, have a material adverse effect on the financial condition or results of operations of the Issuer.

## THE BANK

### BUSINESS

#### Overview

The Bank is one of the largest commercial banks in Korea in terms of total assets (including loans). As of December 31, 2021, the Bank had total assets of ₩483,565 billion and total deposits of ₩363,141 billion.

The Bank provides credit and related financial services to individuals and SMEs and, to a lesser extent, to large corporate customers. The Bank also provides a full range of deposit products and related services to both individuals and enterprises of all sizes.

By their nature, the Bank's core consumer and SME operations place a high premium on customer access and convenience. The Bank's network of 914 branches as of December 31, 2021, one of the most extensive in Korea, provides the Bank with access to a large, stable and cost-effective funding source, enables the Bank to provide its customers convenient access and gives the Bank the ability to provide the customer attention and service essential to conducting its business, particularly in an increasingly competitive environment. The Bank's branch network is further enhanced by automated banking machines and fixed-line, smartphone and Internet banking. As of December 31, 2021, the Bank had a customer base of approximately 36.3 million retail customers, which represented over one-half of the Korean population.

The following table shows the principal components of the Bank's lending business as of the dates indicated, on a separate basis:

	As of December 31,			
	2020		2021	
	(in billions of Won, except percentages)			
Retail. . . . .	₩162,328	50.9%	₩ 170,531	48.6%
Corporate. . . . .	149,078	46.7	168,238	47.9
Foreign . . . . .	7,658	2.4	12,171	3.5
Total loans. . . . .	₩ 319,064	100.0%	₩ 350,940	100.0%

The Bank provides a full range of personal lending products and retail banking services to individual customers, including mortgage loans. The Bank is the largest private sector home equity loan provider in Korea.

Lending to SMEs is the single largest component of the Bank's non-retail credit portfolio and represents a widely diversified exposure to a broad spectrum of the Korean corporate community, both by type of lending and type of customer, with one of the categories being collateralized loans to SOHO customers that are among the smallest of the SMEs. The volume of the Bank's loans to SMEs requires a customer-oriented approach that is facilitated by the Bank's large and geographically diverse branch network.

With respect to large corporate customers, the Bank continues to seek to maintain and expand quality relationships by providing them with an increasing range of fee-related services.

The legal name of the Bank is Kookmin Bank. The Bank is registered in Korea and incorporated with limited liability under the laws of Korea (registration number: 110111-2365321) and operates pursuant to the Bank Act of 1950, as amended (the “Bank Act”) and the Bank of Korea Act of 1950, as amended (the “Bank of Korea Act”), as well as regulations and supervision of the BOK, the BOK’s Monetary Policy Board (the “MPB”), the FSC and its executive body, the FSS. The Bank’s registered office is located at 26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul 07331, Korea (telephone: + (822) 2073-7114).

## Organizational Structure

In September 2008, the Bank completed a “comprehensive stock transfer” under Article 360-15 of the Korean Commercial Code, whereby KB Financial Group Inc. (“KB Financial Group”) became the holding company of the Bank and eight additional entities that were originally the Bank’s subsidiaries. See “– History and Development – Establishment of KB Financial Group.” Currently, the Bank is a wholly owned subsidiary of KB Financial Group and the Bank’s main operating subsidiaries comprise Kookmin Bank Cambodia Plc., Kookmin Bank (China) Ltd., KB Microfinance Myanmar Co., Ltd., PRASAC Microfinance Institution Plc. (“PRASAC”), PT Bank KB Bukopin, Tbk (“Bank Bukopin”) and KB Bank Myanmar Co., Ltd.

The following tables provide summary information for the Bank’s main operating subsidiaries, including their total assets, net income, operating income and shareholder’s equity as of and for the year ended December 31, 2021:

	As of December 31, 2021			Year ended December 31, 2021	
	Percentage of ownership	Total assets	Equity	Operating revenue	Profit (Loss) for the period
(in millions of Won, except percentages)					
<b>Subsidiaries<sup>(1)</sup></b>					
Kookmin Bank Cambodia Plc. . . . .	100.0	559,442	118,940	28,032	11,694
Kookmin Bank (China) Ltd. . . . .	100.0	3,812,297	516,742	182,989	14,064
KB Microfinance Myanmar Co., Ltd. . . . .	100.0	16,549	13,042	6,020	(6,249)
KB Bank Myanmar Co., Ltd. . . . .	100.0	242,396	233,987	480	(3,005)
PRASAC Microfinance Institution Plc. . . . .	100.0	5,128,845	798,874	796,169	205,342
PT Bank KB Bukopin, Tbk . . . . .	67.0	6,958,949	638,727	413,973	(272,526)

Note:

(1) Kookmin Bank Int’l Ltd. (London) was liquidated in October 2020.

For additional information, see Note 38 of the notes to the Bank’s consolidated financial statements for 2020 and 2021 included elsewhere in this Offering Circular.

Further information regarding the Bank’s subsidiaries is provided below:

- The Bank acquired a controlling interest in *Kookmin Bank Cambodia Plc.* (formerly Khmer Union Bank) in May 2009, to enable the Bank to provide various banking services in Cambodia.
- *Kookmin Bank (China) Ltd.* was established in China in November 2012 to provide a broad range of corporate banking services.



- *KB Microfinance Myanmar Co., Ltd.* was established in Myanmar in March 2017 to provide a variety of microfinance-related services.
- *KB Bank Myanmar Co., Ltd.* was established in Myanmar in December 2020 to provide a variety of banking and foreign exchange transaction-related services.
- The Bank acquired a 70.0% interest in *PRASAC Microfinance Institution Plc.*, a provider of microfinance and deposit-taking services in Cambodia, in April 2020. Subsequently, in October 2021, the Bank acquired the remaining 30.0% interest in PRASAC, which increased the Bank's ownership of PRASAC to 100.0%.
- Through a series of acquisitions from July 2018 to September 2020, the Bank obtained a 67.0% interest in *PT Bank Bukopin TBK* of Indonesia, and changed its name to *PT Bank KB Bukopin, Tbk* in February 2021.

## **HISTORY AND DEVELOPMENT**

### **History of the Former Kookmin Bank**

The former Kookmin Bank was established by the Government in 1963 under its original name of Citizens National Bank under the Citizens National Bank Act of Korea with majority government ownership. Under this Act, the Bank was limited to providing banking services to the general public and to SMEs. In September 1994, Citizens National Bank completed its initial public offering in Korea and listed its shares on the KRX KOSPI Market of the Korea Exchange (the "KRX KOSPI Market").

In January 1995, the Citizens National Bank Act of Korea was repealed and replaced by the Repeal Act of the Citizens National Bank Act. Citizens National Bank's status was changed from a specialized bank to a nationwide commercial bank and in February 1995, it changed its name to Kookmin Bank. The Repeal Act allowed the former Kookmin Bank to engage in lending to large businesses.

### **History of Housing & Commercial Bank**

Housing & Commercial Bank ("H&CB") was established by the Government in 1967 under the name Korea Housing Finance Corporation. In 1969, Korea Housing Finance Corporation became the Korea Housing Bank pursuant to the Korea Housing Bank Act. H&CB was originally established to provide low- and middle-income households with long-term, low-interest mortgages in order to help them purchase their own homes, and to promote the increase of housing supply in Korea by providing low-interest housing loans to construction companies. Until 1997 when the Korea Housing Bank Act was repealed, H&CB was the only entity in Korea allowed to provide mortgage loans with a term of longer than ten years. H&CB also had the exclusive ability to offer housing-related deposit accounts offering preferential rights to subscribe for newly built apartments.

### **The Merger of the Former Kookmin Bank and H&CB**

Effective November 1, 2001, the former Kookmin Bank and H&CB merged into a new entity named Kookmin Bank. This merger resulted in the Bank becoming the largest commercial bank in Korea by total assets (including loans), according to the data compiled by the FSS. American depositary shares ("ADSs") representing the Bank's common stock were listed on the New York Stock Exchange on November 1, 2001 and its common stock was listed on the KRX KOSPI Market on November 9, 2001.

### **The Merger with Kookmin Credit Card**

On May 30, 2003, the Bank entered into a merger agreement with Kookmin Credit Card, previously a 75% owned and consolidated subsidiary. On July 23, 2003, the Bank's board approved the merger with Kookmin Credit Card and on September 5, 2003, the merger was approved by the shareholders of Kookmin Credit Card. On September 30, 2003, the Bank merged with Kookmin Credit Card.

## Establishment of KB Financial Group

KB Financial Group was established on September 29, 2008 pursuant to a comprehensive stock transfer under Article 360-15 of the Korean Commercial Code, whereby holders of the common stock of the Bank and certain of its subsidiaries transferred all of their shares to KB Financial Group, a new financial holding company, and in return received shares of KB Financial Group's common stock. In the stock transfer, each holder of one share of the Bank's common stock received one share of KB Financial Group's common stock, par value ₩5,000 per share. Holders of the Bank's ADSs and global depositary shares, each of which represented one share of the Bank's common stock, received one of KB Financial Group's ADSs for every ADS or global depositary share they owned. In addition, holders of the common stock of KB Investment & Securities Co., Ltd., KB Asset Management Co., Ltd., KB Real Estate Trust Co., Ltd., KB Investment Co., Ltd., KB Futures Co., Ltd., KB Credit Information Co., Ltd. and KB Data Systems Co., Ltd., all of which were the Bank's subsidiaries, transferred all of their shares to KB Financial Group and, as consideration for such transferred shares, received shares of KB Financial Group's common stock in accordance with the specified stock transfer ratio applicable to each such subsidiary. Following the completion of the stock transfer, the Bank and the aforementioned subsidiaries of the Bank became KB Financial Group's wholly owned subsidiaries. Following the stock transfer, KB Financial Group's common stock was listed on the KRX KOSPI Market on October 10, 2008 and its ADSs were listed on the New York Stock Exchange on September 29, 2008.

## Spin-off of the Credit Card Business

On September 28, 2010, the board of directors of the Bank resolved to effect a horizontal spin-off of its credit card business, such that the business would be operated by a newly established sister company of the Bank that is wholly-owned by KB Financial Group. Pursuant to such resolution, the assets and liabilities of the Bank which were directly or indirectly related to its credit card business were transferred to a newly established company, KB Card, on February 28, 2011, and all of the shares of common stock of KB Card were distributed to KB Financial Group on March 2, 2011. Pursuant to the Korean Commercial Code, the Bank will remain jointly and severally liable for the spun-off liabilities of the credit card business and KB Card will be jointly and severally liable for the liabilities of the Bank existing as of the date of the spin-off, in each case for an indefinite period.

## MAIN BUSINESSES

### Branch Network

As of December 31, 2021, the Bank had 914 branches and sub-branches in Korea, which represented one of the largest branch networks among Korean commercial banks. An extensive branch network is important to attracting and maintaining retail customers, who use branches extensively and value convenience. The following table presents the geographical distribution of the Bank's branch network in Korea as of December 31, 2021:

	Number of Branches	Percentage
<b>Area</b>		
Seoul . . . . .	341	37.3%
Six largest cities (other than Seoul) . . . . .	192	21.0
Other . . . . .	381	41.7
<b>Total . . . . .</b>	<b>914</b>	<b>100.0%</b>

In addition, the Bank has continued to implement the specialization of its branch functions. Of its branch network as of December 31, 2021, the Bank had three branches that primarily handled large corporate banking.

In order to support the Bank's branch network, the Bank has established an extensive network of ATMs, which are located in branches and in unmanned outlets known as "autobanks." As of December 31, 2021, the Bank had 5,179 ATMs.

The Bank has actively promoted the use of these distribution outlets in order to provide convenient service to customers, as well as to maximize the marketing and sales functions at the branch level, reduce employee costs and improve profitability. The aggregate number of transactions conducted using the Bank's ATMs amounted to approximately 295 million in 2020 and 251 million in 2021.

## Retail Banking

Due to the Bank's history and development as a retail bank and the know-how and expertise the Bank has acquired from its activities in that market, retail banking has been and will continue to remain one of the Bank's core businesses. The Bank's retail banking activities consist primarily of lending and deposit-taking.

## Lending Activities

The Bank offers various loan products that target different segments of the population, with features tailored to each segment's financial profile and other characteristics. The following table sets forth the balances and the percentage of the Bank's total domestic retail lending represented by the categories of the Bank's domestic retail loans as of the dates indicated, on a separate basis:

	As of December 31,			
	2020		2021	
	(in billions of Won, except percentages)			
<b>Retail:</b>				
Mortgage and home equity loans . . . . .	₩ 112,817	69.5%	₩ 119,032	69.8%
Other consumer loans <sup>(1)</sup> . . . . .	49,511	30.5	51,499	30.2
Total . . . . .	₩ 162,328	100.0%	₩ 170,531	100.0%

Note:

(1) Includes overdraft loans.

The Bank's retail loans consist of:

- *Mortgage loans*, which are loans made to customers to finance home purchases, construction, improvements or rentals, and *home equity loans*, which are loans made to the Bank's customers secured by their homes to ensure loan repayment. The Bank also provides overdraft loans in connection with the Bank's home equity loans.
- *Other consumer loans*, which are loans made to customers for any purpose (other than mortgage and home equity loans). These include overdraft loans, which are loans extended to customers to cover insufficient funds when they withdraw funds from their demand deposit accounts with the Bank in excess of the amount in such accounts up to a limit established by the Bank.

For secured loans, including mortgage and home equity loans, the Bank's policy is to lend up to 100% of the adjusted collateral value (except in areas of high speculation designated by the government where the Bank generally limits its lending to between 10% to 60% of the appraised value of collateral) minus the value of any lien or other security interests that are prior to the Bank's security interest. In calculating the adjusted collateral value for real estate, the Bank uses the appraisal value of the collateral multiplied by a factor, generally between 40% to 88% (10% to 70% in the case of mortgage and home equity loans). This factor varies depending upon the location and use of the real estate and is established in part by taking into account court-supervised auction prices for nearby properties.

A borrower's eligibility for the Bank's mortgage loans depends on the value of the mortgage property, the appropriateness of the use of proceeds and the borrower's creditworthiness. A borrower's eligibility for home equity loans is determined by the borrower's credit and the value of the property, while the borrower's eligibility for other consumer loans is primarily determined by the borrower's credit. If the borrower's credit deteriorates, it may be difficult for the Bank to recover the loan. As a result, the Bank reviews the borrower's creditworthiness, collateral value, credit scoring and third party guarantees when evaluating a borrower. In addition, to reduce the interest rate of a loan or to qualify for a loan, a borrower may provide collateral, deposits or guarantees from third parties.

### ***Mortgage and Home Equity Lending***

The housing finance market in Korea is divided into public sector and private sector lending. In the public sector, two government entities, the National Housing and Urban Fund and the National Agricultural Cooperative Federation, are responsible for most of the mortgage lending.

Private sector mortgage and home equity lending in Korea has expanded substantially in recent years. The Bank provides customers with a number of mortgage and home equity loan products that have flexible features, including terms, repayment schedules, amounts and eligibility for loans, and the Bank offers interest rates on a commercial basis. The maximum term of mortgage loans is 35 years and the majority of the Bank's mortgage loans have long-term maturities, which may be renewed. Non-amortizing home equity loans have a maturity of one to five years and home equity loans subject to amortization of principal may have a maximum term of up to 35 years. Any customer is eligible for a mortgage or an individual home equity loan regardless of whether it participates in one of the Bank's housing related savings programs and so long as that customer is not barred by regulation from obtaining a loan because of bad credit history. However, customers with whom the Bank frequently transacts business and who provide the Bank with significant revenue receive preferential interest rates on loans.

Contrary to prevailing practice in many other countries, a portion of the Bank's mortgage loans are unsecured (although the use of proceeds from these loans is restricted to the financing of home purchases, and some of these loans are guaranteed by a third party). One reason for this phenomenon is that the Bank, along with other Korean banks, provides advance loans to borrowers for the down payment of new housing (particularly apartments) that is in the process of being built. Once construction is completed, which may take several years, these mortgage loans become secured by the new housing purchased by these borrowers.

*Pricing.* The interest rates on the Bank's retail mortgage loans are generally based on a periodic floating rate (which is based on a base rate determined for three-month, six-month or 12-month periods using the Bank's Market Opportunity Rate system, which reflects the Bank's internal cost of funding, further adjusted to account for the Bank's expenses related to lending). The Bank's interest rates also incorporate a margin based among other things on the type of security, the credit score of the borrower and the estimated loss on the security. The Bank can adjust the price to reflect the borrower's current and/or expected future contribution to it. The applicable interest rate is determined at the time of the loan. If a loan is terminated prior to its maturity, the borrower is obligated to pay the Bank an early termination fee of approximately 1.2% to 1.4% of the loan amount in addition to the accrued interest.

The interest rates on the Bank's home equity loans are determined on the same basis as the Bank's retail mortgage loans.

## ***Other Consumer Loans***

Other consumer loans are primarily unsecured. However, such loans may be secured by real estate, deposits or securities, or guaranteed by a third party. Overdraft loans are also classified as other consumer loans, are primarily unsecured and generally have an initial maturity of one year, which is typically extended automatically on an annual basis and may be extended up to a maximum of five years.

*Pricing.* The interest rates on the Bank's other consumer loans (including overdraft loans) are determined on the same basis as on the Bank's mortgage and home equity loans, except that, for unsecured loans, the borrower's credit score as determined during the Bank's loan approval process is also taken into account. See "*Risk Management of the Bank – Credit Risk Management.*"

## **Deposit-taking Activities**

Due to the Bank's extensive nationwide network of branches, together with the Bank's long history of development and the Bank's resulting know-how and expertise, as of December 31, 2021, the Bank had the largest number of retail customers and retail deposits among Korean commercial banks. The total amount of deposits from the Bank's retail customers amounted to ₩213,737 billion as of December 31, 2021, or 58.9% of the Bank's total deposits.

The Bank offers many deposit products that target different segments of its retail customer base, with features tailored to each segment's financial profile, characteristics and needs, including:

- *Demand deposits*, which either do not accrue interest or accrue interest at a lower rate than time deposits. Demand deposits allow the customer to deposit and withdraw funds at any time and, if they are interest-bearing, accrue interest at a variable rate depending on the amount of deposit.
- *Time deposits*, which generally require the customer to maintain a deposit for a fixed term, during which the deposit accrues interest at a fixed rate or a variable rate based on the KOSPI, or to deposit specified amounts on an instalment basis. If the amount of the deposit is withdrawn prior to the end of the fixed term, the customer will be paid a lower interest rate than that originally offered. The term for time deposits typically ranges from one month to three years, and the term for instalment savings deposits ranges from six months to five years. Most instalment savings deposits offer fixed interest rates.
- *Certificates of deposit*, the maturities of which typically range from 30 days to 730 days with a required minimum deposit of ₩10 million. Interest rates on certificates of deposit are determined based on the length of the deposit and prevailing market rates. The Bank's certificates of deposit are sold at a discount to their face value, reflecting the interest payable on the certificates of deposit.
- *Foreign currency deposits*, which are available to Korean and foreign residents, non-residents and overseas immigrants. The Bank offers foreign currency demand deposits and time deposits as well as checking accounts in 11 currencies. *Foreign currency demand deposits*, which accrue interest at a variable rate, allow customers to deposit and withdraw funds at any time. *Foreign currency time deposits* generally require customers to maintain the deposit for a fixed term, during which the deposit accrues interest at a fixed rate. If the funds in a foreign currency time deposit are withdrawn prior to the end of the fixed term, the customer will be paid a lower interest rate than that originally offered.

The Bank offers varying interest rates on its deposit products depending upon average funding costs, the rate of return on the Bank's interest-earning assets and the interest rates offered by other commercial banks.

The Bank also offers comprehensive savings deposits for housing subscription, which are monthly instalment savings deposits that provide the holder with preferential rights to subscribe for both public and private housing under the Housing Act. This law is the basic law setting forth various measures supporting the purchase of houses and the supply of such houses by construction companies. These deposits require monthly instalments of ₩20,000 to ₩500,000 and accrue interest at variable rates depending on the term. An eligible account holder with ₩70 million or less in annual salary income may also claim a tax deduction for 40% of its annual instalment amounts, subject to a maximum deductible amount, in its income tax return for the year under the Special Tax Treatment Control Law of Korea.

In 2002, after significant research and planning, the Bank launched private banking operations at its headquarters. Shortly thereafter, the Bank launched a comprehensive strategy with respect to customers with higher net worth, which included staffing appropriate representatives, marketing aggressively, establishing IT systems, selecting appropriate branch locations and readying such branches with the necessary facilities to service such customers. As of December 31, 2021, the Bank operated 21 main private banking centers.

The MPB imposes a reserve requirement on Won currency deposits of commercial banks based generally on the type of deposit instrument. The reserve requirement is currently up to 7%. See *“Regulation and Supervision of the Bank – Legal and Regulatory Framework in Korea – Liquidity.”*

The Depositor Protection Act provides for a deposit insurance system where the KDIC guarantees to depositors the repayment of their eligible bank deposits. The deposit insurance system insures up to a total of ₩50 million per depositor per bank. See *“Regulation and Supervision of the Bank – Legal and Regulatory Framework in Korea – Deposit Insurance System.”* The Bank paid ₩460 billion of premiums to the KDIC in 2021 for such deposit insurance.

## Corporate Banking

The Bank lends to and takes deposits from SMEs and, to a lesser extent, large corporate customers. The Bank also receives fee revenue from “cash management” services offered to corporate customers, which include “firm banking” services such as inter-account transfers, transfers of funds from various branches and agencies of a company (such as insurance premium payments) to the account of the headquarters of such company and transfers of funds from various customers of a company to the main account of such company. Of the Bank’s branch network as of December 31, 2021, three branches primarily handled large corporate banking.

The following table sets forth the balances and the percentage of the Bank’s total domestic corporate lending represented by its domestic SME loans and large corporate loans as of the dates indicated, on a separate basis, estimated based on the Bank’s internal classifications of corporate borrowers:

	As of December 31,			
	2020		2021	
	(in billions of Won, except percentages)			
<b>Corporate:</b>				
SME loans . . . . .	₩ 115,322	77.4%	₩ 126,191	75.0%
Large corporate loans . . . . .	33,756	22.6	42,047	25.0
Total . . . . .	₩ 149,078	100.0%	₩ 168,238	100.0%



On the deposit-taking side, the Bank currently offers its corporate customers several types of corporate deposits. The Bank's corporate deposit products can be divided into two general categories: (1) demand deposits that have no restrictions on deposits or withdrawals, but which offer a relatively low interest rate; and (2) deposits from which withdrawals are restricted for a period of time, but offer higher interest rates. The Bank also offers instalment savings deposits, certificates of deposit and repurchase instruments. The Bank offers varying interest rates on deposit products depending upon the rate of return on the Bank's income-earning assets, average funding costs and interest rates offered by other nationwide commercial banks.

The total amount of deposits from the Bank's corporate customers amounted to ₩144,572 billion as of December 31, 2021, or 39.8% of the Bank's total deposits.

### **SME Banking**

The Bank's SME banking business has traditionally been and will remain one of the Bank's core businesses because of both the Bank's historical development and its accumulated expertise. The Bank believes that it possesses the necessary elements to succeed in the SME market, including its extensive branch network, its credit rating system for credit approval, its marketing capabilities (which the Bank believes have provided the Bank with significant brand loyalty) and its ability to take advantage of economies of scale.

The Bank uses the term "SMEs" as defined in the Framework Act on Small and Medium Enterprises and related regulations. Under the Framework Act on Small and Medium Enterprises and related regulations, an enterprise must meet each of the following criteria in order to meet the definition of an SME: (i) total assets at the end of the immediately preceding fiscal year must be less than ₩500 billion, (ii) the average or annual sales revenue standards as prescribed by the Enforcement Decree of the Framework Act on Small and Medium Enterprises that are applicable to the enterprise's primary business must be met and (iii) the standards of management independence as prescribed by the Enforcement Decree of the Framework Act on Small and Medium Enterprises must be met. However, pursuant to an amendment to the Framework Act on Small and Medium Enterprises, which has become effective in June 2020, an enterprise that qualifies as an SME pursuant to the above definition shall no longer be considered an SME if it is incorporated into, or is deemed to be incorporated into, a business group subject to certain disclosure requirements under the Monopoly Regulation and Fair Trade Act. Moreover, certified social enterprises (as defined in the Social Enterprise Promotion Act) and cooperatives and federations of cooperatives (each as defined in the Framework Act on Cooperatives, the Consumer Cooperatives Act and the Small and Medium Enterprise Cooperatives Act) that satisfy the requirements prescribed by the Framework Act on Small and Medium Enterprises may also qualify as SMEs.

### ***Lending Activities***

The Bank's principal loan products for its SME customers are working capital loans and facilities loans. Working capital loans are provided to finance working capital requirements and include notes discounted and trade financing. Facilities loans are provided to finance the purchase of equipment and the establishment of manufacturing assembly plants. As of December 31, 2021, the Bank had over 403,767 SME customers on the lending side.

Loans to SMEs may be secured by real estate or deposits or may be unsecured. Working capital loans generally have a maturity of one year, but may be extended for additional terms of up to one year in length for an aggregate term of five years. Facilities loans have a maximum maturity of 15 years.

When evaluating the extension of working capital loans, the Bank reviews the corporate customer's creditworthiness and capability to generate cash. Furthermore, the Bank takes credit guaranty letters from other financial institutions and uses time deposits that the borrower has with the Bank as collateral, and may require additional collateral.



The value of any collateral is defined using a formula that takes into account the appraised value of the property, any prior liens or other claims against the property and an adjustment factor based on a number of considerations including, with respect to property, the value of any nearby property sold in a court-supervised auction during the previous five years. The Bank revalues any collateral on a periodic basis (generally every year) or if a trigger event occurs with respect to the loan in question.

The Bank also offers mortgage loans to home builders or developers who build or sell single- or multi-family housing units, principally apartment buildings. Many of these builders and developers are categorized as SMEs. The Bank offers a variety of such mortgage loans, including loans to purchase property or finance the construction of housing units and loans to contractors used for working capital purposes. Such mortgage loans subject the Bank to the risk that the housing units will not be sold. As a result, the Bank reviews the probability of the sale of the housing unit when evaluating the extension of a loan. The Bank also reviews the borrower's creditworthiness and the adequacy of the intended use of proceeds. Furthermore, the Bank takes a lien on the land on which the housing unit is to be constructed as collateral. If the collateral is not sufficient to cover the loan, the Bank also takes a guarantee from the Housing Finance Credit Guarantee Fund as security.

A substantial number of the Bank's SME customers are SOHOs, which the Bank currently defines to include sole proprietorships and individual business interests. With respect to SOHOs, the Bank applies credit risk evaluation models, which not only uses quantitative analysis related to a customer's accounts, personal credit and financial information and due amounts but also requires the Bank's credit officers to perform a qualitative analysis of each potential SOHO customer. With respect to SOHO loans in excess of ₩1 billion, the Bank's credit risk evaluation model also includes a quantitative analysis of the financial statements of the underlying business. The Bank generally lends to SOHOs on a secured basis, although a small portion of the Bank's SOHO exposures are unsecured.

### ***Pricing***

The Bank establishes the price for its corporate loan products based principally on transaction risk, the Bank's cost of funding and market considerations. Transaction risk is measured by such factors as the credit rating assigned to a particular borrower, the size of the borrower and the value and type of collateral. The Bank's loans are priced based on the Market Opportunity Rate system, which is a periodic floating rate system that takes into account the current market interest rate.

While the Bank generally utilizes the Market Opportunity Rate system, depending on the price and other terms set by competing banks for similar borrowers, the Bank may adjust the interest rate it charges to compete more effectively with other banks.

### **Large Corporate Banking**

Large corporate customers include all companies that are not SME customers. The Bank's articles of incorporation provide that financial services to large corporate customers must be no more than 40% of the total amount of the Bank's Won-denominated loans. The Bank's business focus with respect to large corporate banking is to selectively increase the proportion of high quality large corporate customers. Specifically, the Bank is carrying out various initiatives to improve the Bank's customer relationship with large corporate customers and has been seeking to expand the Bank's service offerings to this segment.

## ***Lending Activities***

The Bank's principal loan products for the Bank's large corporate customers are working capital loans and facilities loans. Working capital loans generally have a maturity of one year, but may be extended for additional terms ranging from six months to one year in length for an aggregate term of five years. Facilities loans have a maximum maturity of 15 years. The Bank also offers mortgage loans to large corporate clients who build or sell single- or multi-family housing units, as described above under "*SME Banking – Lending Activities*."

In the Bank's unsecured lending to large corporate customers, a critical consideration in its policy regarding the extension of such unsecured loans is the borrower's creditworthiness. The Bank assigns each borrower a credit rating based on the judgment of its experts or scores calculated using the appropriate credit rating system, taking into account both financial factors and non-financial factors (such as its perception of a borrower's reliability, management and operational risk and risk relating to the borrower's industry). The credit ratings, along with such factors, are key determinants in the Bank's lending to large corporate customers. Large corporate customers generally have higher credit ratings due to their higher repayment capability compared to other types of borrowers, such as SME borrowers. In addition, large corporate borrowers generally are affected to a lesser extent than SME borrowers by fluctuations in the Korean economy and also maintain more sophisticated financial records.

The Bank monitors the credit status of large corporate borrowers and collects information to adjust its ratings appropriately. The Bank also manages and monitors its large corporate customers through the Large Corporate Business Department. In addition, the Credit Risk Department manages the Bank's exposure to each large corporate customer and conducts in-depth analysis of various economic and industry-related risks that are relevant to large corporate customers.

## ***Pricing***

The Bank determines pricing of its large corporate loans in the same way as the Bank determines the pricing of its SME loans. See "*SME Banking – Pricing*."

## **Capital Markets Activities and International Banking**

Through the Bank's capital markets operations, the Bank invests and trades in debt and equity securities and, to a lesser extent, engages in derivatives and asset securitization transactions and makes call loans. The Bank also provides investment banking services to corporate customers.

## **Securities Investment and Trading**

The Bank invests in and trades securities for the Bank's own account in order to maintain adequate sources of liquidity and to generate interest and dividend income and capital gains. As of December 31, 2020 and 2021, the Bank's investment portfolio, which consists primarily of financial instruments at amortized cost and financial assets at fair value through other comprehensive income, and the Bank's trading portfolio (which consists of (i) financial assets at fair value through profit or loss, excluding loans, (ii) financial assets at fair value through other comprehensive income, excluding loans, and (iii) financial assets at amortized cost, excluding allowances for credit losses) had a combined total carrying amount of ₩74,057 billion and ₩82,216 billion and represented 16.9% and 17.0% of the Bank's total assets, respectively.

The Bank's trading and investment portfolios consist primarily of Korean treasury securities and debt securities issued by Government agencies, local governments or certain government-invested enterprises and debt securities issued by financial institutions.

From time to time the Bank also purchases equity securities for the Bank's securities portfolios. The Bank's equity securities consist primarily of marketable beneficiary certificates and equities listed on the KRX KOSPI Market, the KRX KOSDAQ Market of the Korea Exchange or the KRX KONEX Market of the Korea Exchange.

The Bank's trading portfolio also includes derivative-linked securities, the underlying assets of which were linked to, among other things, interest rates, exchange rates, stock price indices or credit risks.

The following tables set forth the carrying amounts of the securities in the Bank's trading and investment portfolios as of the dates indicated:

	As of December 31, 2020				As of December 31, 2021			
	Amortized Cost	Net Unrealized Gain and Loss	Loss Allowance for Expected Credit Losses	Fair Value	Amortized Cost	Net Unrealized Gain and Loss	Loss Allowance for Expected Credit Losses	Fair Value
	(in billions of Won)							
<b>Financial assets at fair value through profit or loss</b>								
Debt securities:								
Government and public								
bonds . . . . .	₩ 3,131	₩ –	₩ –	₩ 3,131	₩ 2,690	₩ –	₩ –	₩ 2,690
Financial bonds . . . . .	6,885	–	–	6,885	7,711	–	–	7,711
Corporate bonds . . . . .	1,717	–	–	1,717	1,804	–	–	1,804
Asset-backed securities . .	211	–	–	211	198	–	–	198
Beneficiary certificates . .	3,000	–	–	3,000	4,634	–	–	4,634
Others . . . . .	764	–	–	764	1,476	–	–	1,476
Equity securities:								
Stocks . . . . .	206	–	–	206	114	–	–	114
Others . . . . .	90	–	–	90	114	–	–	114
<b>Total financial assets at fair value through profit or loss. . . . .</b>	<b>₩ 16,004</b>	<b>₩ –</b>	<b>₩ –</b>	<b>₩ 16,004</b>	<b>₩ 18,740</b>	<b>₩ –</b>	<b>₩ –</b>	<b>₩ 18,740</b>
<b>Financial investments</b>								
<b>Financial assets at fair value through other comprehensive income</b>								
Debt securities:								
Government and public								
bonds . . . . .	₩ 5,950	₩ 3	₩ 0	₩ 5,953	₩ 6,200	₩ (53)	₩ 0	₩ 6,147
Financial bonds . . . . .	19,578	46	2	19,622	18,761	(77)	3	18,681
Corporate bonds . . . . .	12,767	67	2	12,832	12,651	(116)	5	12,530
Asset-backed securities . .	1,546	8	1	1,553	786	(3)	0	782
Equity securities:								
Stocks . . . . .	1,434	1,032	–	2,467	577	2,567	–	3,144
Equity investments . . . . .	57	(21)	–	36	57	(31)	–	26
Beneficiary certificates . .	–	–	–	–	–	–	–	–
Others . . . . .	–	–	–	–	–	–	–	–
<b>Total financial assets at fair value through other comprehensive income . . . . .</b>	<b>41,332</b>	<b>1,135</b>	<b>5</b>	<b>42,463</b>	<b>39,031</b>	<b>2,288</b>	<b>8</b>	<b>41,311</b>
<b>Financial instruments at amortized cost</b>								
Debt securities:								
Government and public								
bonds . . . . .	2,182	24	–	2,206	5,742	(83)	–	5,659
Financial bonds . . . . .	5,189	8	0	5,196	3,377	(9)	1	3,367
Corporate bonds . . . . .	2,593	(3)	0	2,590	6,358	(85)	–	6,273
Asset-backed securities . .	5,596	39	2	5,633	6,660	(105)	2	6,552
Others . . . . .	30	0	0	30	31	(2)	0	29
<b>Financial instruments at amortized cost . . . . .</b>	<b>15,590</b>	<b>67</b>	<b>2</b>	<b>15,655</b>	<b>22,168</b>	<b>(282)</b>	<b>3</b>	<b>21,881</b>
<b>Total financial investments . . . . .</b>	<b>₩ 72,926</b>	<b>₩ 1,202</b>	<b>₩ 7</b>	<b>₩ 74,122</b>	<b>₩ 79,939</b>	<b>₩ 2,004</b>	<b>₩ 12</b>	<b>₩ 81,932</b>

## Derivatives Trading

The Bank provides and trades a range of derivatives products, including:

- interest rate swaps and options, relating to interest rate risks;
- cross-currency swaps, forwards and options relating to foreign exchange risks; and
- stock price index options linked to the KOSPI index.

The following table shows the estimated fair value of the Bank's derivatives as of the dates indicated:

	As of December 31,			
	2020		2021	
	Estimated Fair Value Assets	Estimated Fair Value Liabilities	Estimated Fair Value Assets	Estimated Fair Value Liabilities
	(in billions of Won)			
Foreign exchange derivatives <sup>(1)</sup> . . . . .	₩ 3,551	₩ 3,343	₩ 2,337	₩ 2,199
Interest rate derivatives <sup>(1)</sup> . . . . .	906	939	629	551
Equity derivatives . . . . .	0	–	0	–
Others <sup>(1)</sup> . . . . .	–	0	–	0
Total . . . . .	<u>₩ 4,457</u>	<u>₩ 4,282</u>	<u>₩ 2,966</u>	<u>₩ 2,750</u>

*Note:*

(1) Includes those for trading purposes and hedging purposes.

The Bank's derivatives operations focus on addressing the needs of the Bank's corporate clients to hedge their risk exposure and the need to hedge the Bank's risk exposure that results from such client contracts. The Bank also engages in derivatives trading activities to hedge the interest rate and foreign currency risk exposures that arise from the Bank's own assets and liabilities. In addition, the Bank engages in proprietary trading of derivatives within the Bank's regulated open position limits.

## Asset Securitization Transactions

The Bank is active in the Korean asset-backed securities market. Based on the Bank's diverse experience with respect to product development and management capabilities relating to asset securitization, the Bank offers customers a wide range of financial products to reinforce the Bank's position as a leading bank with respect to the asset securitization market.

## Call Loans

The Bank makes call loans and borrows call money in the short-term money market. Call loans are defined as short-term lending among banks and financial institutions either in Won or in foreign currencies with maturities of 90 days or less. Typically, call loans have maturities of one day.

## Investment Banking

The Bank has focused on selectively expanding its investment banking activities in order to increase its fee income and diversify its revenue base. The main focus of the Bank's investment banking operations is project finance and financial advisory services. The Bank's principal investment banking services include:

- project finance and financial advisory services for social overhead capital projects such as highway, port, power, water and sewage projects;
- financing and financial advisory services for real estate development projects;
- structured finance; and
- financing for mergers and acquisitions.

## International Banking

The Bank engages in various international banking activities, including foreign exchange services and derivatives dealing, import and export-related services, offshore lending, syndicated loans and foreign currency securities investment. These services are provided primarily to the Bank's domestic customers and overseas subsidiaries and affiliates of Korean corporations. The Bank also raises foreign currency funds through its international banking operations.

The table below sets forth certain information regarding the Bank's foreign currency assets and borrowings:

	As of December 31,	
	2020	2021
	(in billions of Won)	
Total foreign currency assets . . . . .	₩ 43,211	₩ 56,119
Foreign currency borrowings:		
Debts . . . . .	11,500	16,476
Debentures . . . . .	5,774	7,903
Total borrowings . . . . .	₩ 17,274	₩ 24,379

The table below sets forth the Bank's overseas branches and representative offices in operation as of the date of this Offering Circular:

### Branches

Kookmin Bank (China) Ltd. (including five branches) . . . . .	China
Kookmin Bank, Tokyo Branch . . . . .	Japan
Kookmin Bank, Auckland Branch . . . . .	New Zealand
Kookmin Bank, New York Branch . . . . .	United States
Kookmin Bank, London Branch . . . . .	United Kingdom
Kookmin Bank, Ho Chi Minh City Branch . . . . .	Vietnam

## Branches

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Kookmin Bank, Hanoi Branch . . . . .	Vietnam
Kookmin Bank, Hong Kong Branch . . . . .	Hong Kong
Kookmin Bank, Gurugram Branch . . . . .	India
Kookmin Bank, Singapore Branch . . . . .	Singapore
Kookmin Bank Cambodia Plc. (including seven branches). . . . .	Cambodia
KB Microfinance Myanmar Co., Ltd. (including 23 branches) . . . . .	Myanmar
PT Bank KB Bukopin, Tbk (including 355 branches) . . . . .	Indonesia
PRASAC Microfinance Institution Plc. (including 182 branches) . . . . .	Cambodia
KB Bank Myanmar Co., Ltd. . . . .	Myanmar

## Representative Offices

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Kookmin Bank, Yangon Representative Office . . . . .	Myanmar
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The Bank's overseas branches and subsidiaries principally provide Korean companies and nationals in overseas markets with trade financing, local currency funding and foreign exchange services, in conjunction with the operations of the Bank's headquarters.

## Trustee and Custodian Services Relating to Investment Trusts and Other Functions

The Bank acts as a trustee for financial investment companies with a collective investment license, which invest in investment assets using funds raised by the sale of beneficiary certificates of investment trusts to investors. The Bank also acts as custodian for financial institutions and as fund administrator for financial institutions with respect to various investments, as well as acting as settlement agent in connection with such services. The Bank receives a fee for acting in these capacities and generally performs the following functions:

- holding assets for the benefit of the investment trusts or institutional investors;
- receiving and making payments in respect of such investments;
- acting as settlement agent in respect of such investments on behalf of the investment trust or institutional investors, in the domestic and overseas markets;
- providing reports on assets held in custody;
- providing certain foreign exchange services for overseas investment and foreign investors; and
- providing fund-related administration and accounting services.

## OTHER BUSINESSES

### Trust Account Management Services

#### *Money Trust Management Services*

The Bank provides trust account management services for both specified money trusts and unspecified money trusts. The Bank receives fees for its trust account management services consisting of basic fees that are based upon a percentage of either the net asset value of the assets or the principal under management and, for certain types of trust account operations, performance fees that are based upon the performance of the trust account operations. In 2021, the Bank's basic money trust fees ranged from 0.1% to 2.0% of total assets under management depending on the type of trust account. The Bank also charges performance fees with respect to certain types of trust account products. The Bank receives penalty payments when customers terminate their trust accounts prior to the original contract maturity.

The Bank provides trust account management services for various types of money trusts. The maturities of the money trusts the Bank manages vary by the type of the trust. Approximately 3.2% of the Bank's money trusts also provide periodic payments of dividends which are added to the assets held in such trusts and not distributed.

Under Korean law, the assets of the Bank's trust accounts are segregated from the Bank's banking account assets and are not available to satisfy the claims of any of the Bank's potential creditors. The Bank is, however, permitted to deposit surplus funds generated by trust assets into the Bank's banking accounts in certain circumstances as set forth under the Financial Investment Services and Capital Markets Act (the "FSCMA") and the regulations thereunder.

As of December 31, 2021, the total balance of the Bank's money trusts was ₩59,423 billion (as calculated in accordance with Statement of Korea Accounting Standard No. 5004, *Trust Accounts*, and the Enforcement Regulations of Financial Investment Services under the FSCMA, which the Bank refers to as an "SKAS basis").

As for unspecified money trust accounts, the Bank has investment discretion over all money trusts, which are pooled and managed jointly for each type of trust account. Specified money trust accounts are established on behalf of individual customers who direct the Bank's investment of trust assets.

The following table shows the balances of the Bank's money trusts by type as of the dates indicated. Under Korean IFRS, the Bank consolidates trust accounts for which it guarantees both the repayment of the principal amount and a fixed rate of interest as well as trust accounts for which it guarantees only the repayment of the principal amount.

	As of December 31,	
	2020	2021
	(in billions of Won)	
Principal and interest guaranteed trusts <sup>(1)</sup> . . . . .	₩ 0	₩ 0
Principal guaranteed trusts <sup>(1)</sup> . . . . .	3,927	3,874
Performance trusts <sup>(1)(2)</sup> . . . . .	48,663	55,549
Total . . . . .	₩ 52,590	₩ 59,423

Notes:

(1) Calculated on an SKAS basis.

(2) Trusts which are primarily non-guaranteed.

As of December 31, 2021, the trust assets the Bank managed consisted principally of securities investments and loans from the trust accounts. As of December 31, 2021, on an SKAS basis, the Bank's trust accounts had invested in securities in the aggregate amount of ₩26,932 billion, of which ₩18,123 billion was debt securities and derivative-linked securities. Securities investments consist of Government-related debt securities, corporate debt securities, including bonds and commercial paper, equity securities, derivative-linked securities and other securities. Loans made by the Bank's trust account operations are similar in type to the loans made by the Bank's bank account operations. As of December 31, 2021, on an SKAS basis, the Bank's trust accounts had made loans in the principal amount of ₩230 billion (excluding loans from the trust accounts to the Bank's banking accounts of ₩1,189 billion), which



accounted for 0.4% of the Bank's money trust assets. Loans by the Bank's money trusts are subject to the same credit approval process as loans from the Bank's banking accounts. As of December 31, 2021, substantially all of the loans from the Bank's money trust accounts were collateralized or guaranteed.

The Bank's money trust accounts also invest, to a lesser extent, in equity securities, including beneficiary certificates issued by financial investment companies with a collective investment license. On an SKAS basis, as of December 31, 2021, equity securities in the Bank's money trust accounts amounted to ₩8,813 billion, which accounted for 14.5% of the Bank's total money trust assets. Of this amount, ₩8,641 billion was from specified money trusts and ₩172 billion was from unspecified money trusts.

The Bank continues to offer pension-type money trusts that provide a guarantee of the principal amount of the investment. On an SKAS basis, as of December 31, 2021, the balance of the money trusts for which the Bank guaranteed the principal was ₩3,865 billion.

If the income from a money trust for which the Bank provides a guarantee is less than the amount of the payments the Bank has guaranteed, the Bank will need to pay the amount of the shortfall with funds from special reserves maintained with respect to trust accounts followed by basic fees from that money trust and funds from the Bank's general banking operations. In 2020 and 2021, the Bank made no such payments from the Bank's banking accounts to cover shortfalls in the Bank's guaranteed trusts.

### ***Property Trust Management Services***

The Bank also offers property trust management services, where the Bank manages non-monetary assets in return for a fee. Non-monetary assets include mostly securities, but can also include other liquid receivables and real estate. Under these arrangements, the Bank renders custodial services for the property in question and collects fee income in return.

In 2021, the Bank's property trust fees ranged from 0.001% to 0.3% of total assets under management depending on the type of trust accounts. On an SKAS basis, as of December 31, 2021, the aggregate balance of the Bank's property trusts was ₩12,146 billion, compared to ₩4,705 billion as of December 31, 2020.

### **Bancassurance**

The Bank offers insurance products of other institutions to retail customers in Korea. The Bank currently markets a wide range of bancassurance products and seeks to generate additional fee-based revenues by expanding its offering of these products. As of December 31, 2021, the Bank's bancassurance business had alliances with 22 life insurance companies (including its affiliates, KB Life Insurance and Prudential Life Insurance) and 11 non-life insurance companies (including its affiliate, KB Insurance) and offered 91 different products through the Bank's branch network.

### **Management of the National Housing and Urban Fund**

The National Housing and Urban Fund is a Government fund that provides financial support to low-income households in Korea by providing mortgage financing and construction loans for projects to build small-sized housing. The operations of the National Housing and Urban Fund include providing and managing National Housing and Urban Fund loans, issuing National Housing and Urban Fund bonds and collecting subscription savings deposits.

In February 2013, the Ministry of Land, Infrastructure and Transport (formerly the Ministry of Land, Transport and Maritime Affairs) designated the Bank as one of the managers of the National Housing and Urban Fund.

The financial accounting for the National Housing and Urban Fund is entirely separate from the Bank's financial accounting, and the non-performing loans and loan losses of the National Housing and Urban Fund, in general, do not impact the Bank's financial condition. Regulations and guidelines for managing the National Housing and Urban Fund are issued by the Minister of Land, Infrastructure and Transport pursuant to the Housing Act.

### Other Banking Channels

The following table sets forth information, for the periods indicated, on the number of users and transactions of the other banking channels for the Bank's retail and corporate banking customers, which are discussed below:

	For the year ended December 31,	
	2020	2021
<b>Internet banking:</b>		
Number of users <sup>(1)</sup>	25,313,463	26,415,723
Number of transactions (thousands) <sup>(2)</sup>	14,794,331	18,941,829
<b>Phone banking:</b>		
Number of users <sup>(3)</sup>	5,073,346	5,076,733
Number of transactions (thousands) <sup>(2)</sup>	76,595	62,835
<b>Smartphone banking:</b>		
Number of users <sup>(4)</sup>	16,681,329	17,930,859
Number of transactions (thousands) <sup>(2)</sup>	13,811,431	20,828,944

#### Notes:

- (1) Number of users is defined as the total cumulative number of retail and corporate customers who have registered through branch offices to use Internet banking services.
- (2) Number of transactions includes balance and transaction inquiries, fund transfers and other transactions.
- (3) Number of users is defined as the total cumulative number of retail and corporate customers who have registered through branch offices to use phone banking services.
- (4) Number of users is defined as the total cumulative number of retail customers who have registered through branch offices, or the customers' smartphones, to use smartphone banking services.

### Internet Banking

The Bank's goal is to consolidate the Bank's position as a market leader in online banking. The Bank's Internet banking services currently include:

- basic banking services, including fund transfers, balance and transaction inquiries, pre-set automatic transfers, product inquiries, online bill payments and foreign exchange services;
- investment services, including opening deposit accounts and investing in funds;
- processing of loan applications;

- electronic certification services, which permit the Bank's Internet banking service users to authenticate their identity and transactions on a confidential basis through digital signatures; and
- wealth management and advisory services, including financial planning and real estate information services.

### **Phone Banking**

The Bank offers a variety of phone banking services, including inter-account fund transfers, balance and transaction inquiries, customer service inquiries and bill payments. The Bank also has call centers, which the Bank primarily uses to:

- advise clients with respect to deposits and loans and to provide the Bank's customers a way to report any emergencies with respect to their accounts;
- allow the Bank's customers to conduct transactions with respect to their accounts, such as balance and transfer inquiries, transfers or payments and opening accounts; and
- conduct telemarketing to the Bank's customers or potential customers to advertise products or services.

### **Smartphone Banking**

"KB Star Banking," the Bank's mobile banking application for smartphones, allows its customers the flexibility to conduct a variety of financial transactions, including balance and transaction inquiries, fund transfers and asset management, anywhere at any time. The Bank's smartphone banking services currently include:

- basic banking services, including fund transfers, balance and transaction inquiries, bill payments and foreign exchange services;
- investment services, including investing in savings deposits that are designed specifically for and offered to smartphone banking customers; and
- processing of loan applications and bancassurance services.

The Bank also continues to develop innovative mobile applications that cater to specific customer needs and lifestyles. For example, the Bank offers "Liiv," a mobile banking platform designed to make routine transactions easier for the Bank's customers, including providing easy access to banking services without the additional electronic certification process, foreign currency exchange services with lower fees and functions that allow customers to easily split bills and transfer money, and "Liiv Next," a finance platform that provides easy-to-use banking services such as wire transfers and electronic payments as well as a variety of non-banking services to customers in younger generations. The Bank also offers a range of other mobile applications, including "Liiv Talk Talk," a mobile peer-to-peer payment and messaging application, "Liiv M," a mobile virtual network operator (MVNO) that offers a fusion of finance and mobile services and "KB Real Estate," the Bank's new cloud-based real estate application that provides various information on real properties. The Bank also offers MyData services through several channels including KB Star Banking, its mobile banking application.

### **Other Channels**

The Bank provides cash management services, which include automatic transfers, connection services to other financial institutions, real-time firm banking, automatic fund concentration and transmittal of trading information.

## **Competition**

The Bank competes principally with other nationwide commercial banks in Korea, as well as regional banks, development banks, specialised banks and branches of foreign banks operating in Korea. The Bank also competes with other types of financial institutions in Korea, including savings institutions (such as mutual savings and finance companies and credit unions and credit cooperatives), investment institutions (such as merchant banking corporations), life insurance companies, non-life insurance companies, securities companies and other financial investment companies.

Competition in the domestic banking industry is generally based on the types and quality of the products and services offered, including the size and location of retail networks, the level of automation and interest rates charged and paid. Competition has increased significantly in the Bank's traditional core businesses, retail banking and SME banking, contributing to some extent to the asset quality deterioration in retail and SME loans. As a result, the Bank's margins on lending activities may decrease in the future.

Furthermore, the introduction of Internet-only banks in Korea has led to an increase in competition in the Korean banking industry. Internet-only banks operate without branches and conduct most of their operations through electronic means, which enables them to minimize cost and offer customers higher interest rates on deposits or lower lending rates. In April 2017, K Bank, the first Internet-only bank in Korea, commenced operations. Kakao Bank, another Internet-only bank, in which the Bank held an 8.0% equity interest as of December 31, 2021, commenced operations in July 2017. Most recently, Toss Bank, another Internet-only bank, commenced operations in October 2021.

In addition, general regulatory reforms in the Korean financial industry have increased competition among banks and other financial institutions in Korea. As the reform of the financial sector continues, foreign financial institutions, some with greater resources than the Bank, have entered, and may continue to enter, the Korean market either by themselves or in partnership with existing Korean financial institutions and compete with the Bank in providing financial and related services.

Moreover, the Korean commercial banking sector is undergoing significant consolidation. The number of nationwide commercial banks in Korea has decreased from 16 as of December 31, 1997, to six as of December 31, 2021. A number of significant mergers and acquisitions in the financial industry have taken place in Korea in recent years, including Hana Financial Group's acquisition of a controlling interest in Korea Exchange Bank in 2012 and the subsequent merger of Hana Bank into Korea Exchange Bank in 2015. In addition, as part of the Government's plans to privatize Woori Finance Holdings (the financial holding company of Woori Bank), certain subsidiaries of Woori Finance Holdings were sold to other financial institutions and Woori Finance Holdings itself was merged into Woori Bank in 2014, which established a new financial holding company, Woori Financial Group Inc., in January 2019. The Bank expects that consolidation in the Korean financial industry will continue. The financial institutions resulting from such consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for the Bank. The Bank and its parent, KB Financial Group, intend to review potential acquisition opportunities as they arise. The Bank cannot guarantee that it will not be involved in any future mergers or acquisitions.

## **Information Technology**

The Bank regularly implements various IT system-related initiatives and upgrades. The Bank believes that continuous improvement of its IT systems is crucial in supporting its operations and management and providing high-quality customer service. Accordingly, the Bank continues to upgrade and improve its systems through various activities, including projects to develop next-generation banking systems, further strengthen system security and timely develop and implement various new IT systems and services that support its business operations and risk management activities.

The Bank's mainframe-based banking IT systems are designed to ensure continuity of services even where there is a failure of the host data center due to a natural disaster or other accidents by utilizing backup systems in disaster recovery data centers. In addition, through the implementation of Parallel Sysplex, a "multi-CPU system," the Bank's banking systems are designed and operated to be able to process transactions without material interruption in the event of CPU failure. From 2019 to 2020, the Bank implemented a banking IT system designed to promote digital transformation and innovation in its IT infrastructure. In addition, the Bank implemented new technologies, including Multi-Channel Integration and Enterprise Application Integration systems, to standardize its IT system and better manage IT system operational risk.

The integrity and the ability of the Bank's IT systems to withstand potential catastrophic events (such as natural calamities and internal system failures) are crucial to the Bank's continuing operations. The Bank currently tests its disaster recovery systems on a quarterly basis using a new disaster recovery system that has been implemented to ensure the continuity of our operations. For additional information, see "*Risk Management of the Bank – Operational Risk Management*."

### Property, Plant and Equipment

The Bank's registered office and headquarters is located at 26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul 07331, Korea. The following table presents information regarding certain of the Bank's properties in Korea:

Type of facility/building	Location	Area (square meters)
Registered office and headquarters . . . . .	Yeongdeungpo-gu, Seoul	5,354
Headquarters #2 . . . . .	Yeongdeungpo-gu, Seoul	4,727
Training institute . . . . .	Ilsan	207,560
Training institute . . . . .	Daecheon	4,158
Training institute . . . . .	Sokcho	15,559
Training institute . . . . .	Cheonan	196,649
IT center . . . . .	Gangseo-gu, Seoul	13,116
IT center . . . . .	Yeouido, Seoul	5,928
IT center . . . . .	Yeouido, Seoul	2,006
IT center . . . . .	Gimpo	13,144
Support center . . . . .	Seongbuk-gu, Seoul	9,939

In August 2020, the Bank completed the construction of a second headquarters building in Yeouido, Seoul. The total capital expenditure for its construction amounted to approximately ₩356.5 billion.

As of the date of this Offering Circular, the Bank had a countrywide network of 914 branches and sub-branches. Approximately 23% of these facilities are housed in buildings owned by the Bank, while the remaining branches are leased properties. See "*Organizational Structure*" for a list of the Bank's overseas subsidiaries and see "*Capital Markets Activities and International Banking – International Banking*" for a list of the Bank's overseas branches and representative and liaison offices in operation as of December 31, 2021.

Kookmin Bank, Gurgaon Representative Office in India converted to Kookmin Bank, Gurugram Branch in February 2019, and Kookmin Bank, Hanoi Representative Office in Vietnam was liquidated in September 2020. In December 2020, the Bank established KB Bank Myanmar Co., Ltd. in Myanmar, and in January 2022, the Bank established Kookmin Bank, Singapore Branch in Singapore. Kookmin Bank, Yangon Representative Office is currently being liquidated. Lease terms are generally from two to three years and seldom exceed five years. The Bank does not own any material properties outside of Korea.

## Employees

The following table sets forth information, for the periods indicated, regarding the Bank's employees:

	As of December 31,	
	2020	2021
Full-time employees <sup>(1)</sup> . . . . .	16,054	15,333
Contractual employees . . . . .	1,728	1,899
Managerial employees. . . . .	9,026	8,474
Members of Korea Financial Industry Union . . . . .	14,266	13,989

*Note:*

(1) Excluding executive officers.

The Bank considers its relations with its employees to be satisfactory. Every year, the Bank's labor union and the Bank's management negotiate and enter into a new collective bargaining agreement and negotiate annual wage adjustments.

The Bank's compensation packages consist of base salary and base bonuses. The Bank also provides performance-based compensation to employees and management. Executive officers, heads of regional headquarters and employees in positions that require professional skills, such as fund managers and dealers, are compensated depending on their individual annual performance evaluation. The Bank has also implemented a profit-sharing system in order to enhance the performance of its employees. Under this system, the Bank pays bonuses to its employees, in addition to the base salary and depending on the Bank's annual performance.

In January 2016, KB Financial Group implemented a "mileage stock" program, pursuant to which it may grant to the Bank's and its subsidiaries' employees performance-based cash payments that correspond to the market value of KB Financial Group's common stock. The accumulated "miles" of common stock can be exercised for cash during a two-year period commencing on the one-year anniversary of the grant date.

The Bank provides a wide range of benefits to its employees, including its executive directors. These benefits include medical insurance, employment insurance, workers compensation, employee and spouse life insurance, free medical examinations, child tuition and fee reimbursement, disabled child financial assistance and reimbursement for medical expenses.

In accordance with the National Pension Act, the Bank contributes an amount equal to 4.5% of employee wages, and each employee contributes 4.5% of his or her wages, into each employee's personal pension account. In addition, in accordance with the Guarantee of Worker's Retirement Benefits Act, the Bank has adopted retirement pension plans for its employees. Contributions under the retirement pension plans are deposited annually into a financial institution, and an employee may elect to receive a monthly pension or a lump-sum amount upon retirement. The Bank's retirement pension plans are provided in the form of a defined benefit plan and a defined contribution plan. The defined benefit plan guarantees a certain payout at retirement, according to a fixed formula based on the employee's average salary and the number of years for which the employee has been a plan member. The defined contribution plan, in which the employer's contribution is determined in advance based on one-twelfth of an employee's total annual pay, is managed directly by the employees. Under Korean law, the Bank may not terminate the employment of full-time employees except under certain limited circumstances. However, the Bank regularly invites its

employees to apply for its early retirement programs, which provide for varying amounts of severance pay based on the duration of time an employee has worked for the Bank, along with several other key features. The Bank believes that such programs enhance its productivity and efficiency by improving its labor structure.

In June 2009, KB Financial Group established an employee stock ownership association. All of the Bank's employees are eligible to participate in this association. Members of KB Financial Group's employee stock ownership association have pre-emptive rights to acquire up to 20% of the shares issued in public offerings by KB Financial Group pursuant to the FSCMA.

Employees of the Bank have been eligible to participate in its employee stock ownership association, which will be terminated once all of KB Financial Group's common stock held by the association (which the association received following the transfer of the Bank's shares held by it as a result of the comprehensive stock transfer pursuant to which KB Financial Group was established) has been distributed to the relevant employees of the Bank at the request of such employees following the expiration of the required holding periods. As of December 31, 2021, the Bank's employee stock ownership association held 257,124 shares of KB Financial Group common stock.

### **Legal Proceedings**

Excluding the legal proceedings discussed below, the Bank is not a party to any legal or administrative proceedings and no proceedings are known by the Bank to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on the Bank's financial condition or results of operations.

In June 2010, Fairfield Sentry Limited ("Fairfield"), which is currently in liquidation and whose assets were directly or indirectly invested with Bernard L. Madoff Investment Securities LLC ("BLMIS"), filed a lawsuit in the Supreme Court of the State of New York against the Bank, which acted as a trustee bank for its clients who invested in Fairfield. Fairfield seeks recovery of approximately US\$42 million paid to the Bank by its clients in connection with share redemptions on the ground that such payments were made by mistake, based on inflated values resulting from BLMIS' fraud. In September 2010, the case was transferred to the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), which in turn ordered that the case be returned to a state court in September 2011 but then stayed the lawsuit before it was sent to state court. While the case was stayed, the Bankruptcy Court issued an opinion in December 2018 holding that the claims against the Bank were deficiently pleaded and thus should be dismissed. In July 2019, the Bankruptcy Court issued an order to the effect that the case would proceed in a federal court, instead of returning to a state court. Fairfield has appealed the Bankruptcy Court's dismissal to the United States District Court for the Southern District of New York (the "District Court"). Although legal arguments have been filed in 2020, it is difficult to predict when the District Court will rule on the appeal. Fairfield has filed similar actions against numerous other fund investors to seek recovery of redemption payments.

In May 2012, the trustee appointed for the liquidation of BLMIS filed a lawsuit against the Bank in the Bankruptcy Court. The trustee seeks recovery of approximately US\$42 million, the amount of funds that were allegedly redeemed by the Bank from Fairfield between June 2004 and January 2006. The trustee alleges that Fairfield was a "feeder fund" that invested in BLMIS and that redemptions from such BLMIS feeder fund are avoidable and recoverable under the U.S. Bankruptcy Code and New York law. The Bankruptcy Court issued an order to dismiss the case during the pleading stage of the litigation in March 2017, and the trustee appealed such decision to the United States Court of Appeals for the Second Circuit (the "Second Circuit"), which reversed the dismissal and vacated the judgment in February 2019. The



Bank, along with other defendants, filed a motion asking the Second Circuit to reconsider its ruling and, after such motion was denied, filed a petition for a writ of certiorari asking the United States Supreme Court to accept an appeal of the Second Circuit's ruling, which was denied in June 2020. Subsequently, the Second Circuit remanded the case to the Bankruptcy Court for further proceedings, which are currently ongoing in 2022. The trustee has filed similar claw back actions against numerous other institutions.

In February 2018, pursuant to a request by the FSS, the Supreme Prosecutors' Office of Korea commenced an investigation into alleged irregularities in hiring practices at certain Korean banks, including the Bank. In May 2018, the prosecutors charged four current and former executive officers and employees of the Bank with obstruction of business and violation of the Act on the Equal Employment for Both Sexes, for violating certain regulations relating to the evaluation and hiring of certain individuals in 2015 and 2016. In October 2018, the Seoul Southern District Court sentenced such executive officers and employees to probation and ordered the Bank to pay a fine in the amount of ₩5 million. Although the individuals and the Bank appealed the ruling, such appeal was denied in July 2021. The individuals and the Bank then subsequently appealed to the Supreme Court, but such appeal was again denied in January 2022.

In September 2020, PT Bosowa Corporindo ("Bosowa"), the second largest shareholder of Bank Bukopin, filed a lawsuit against Otoritas Jasa Keuangan (the Financial Services Authority of Indonesia) ("OJK"), and subsequently, Bank Bukopin, in its capacity as an intervening defendant, in the Jakarta State Administrative Court, demanding a reversal of OJK's decision in August 2020 to impose certain restrictive measures on Bosowa's ability to act as a shareholder of Bank Bukopin. The Jakarta State Administrative Court ruled in favor of Bosowa, which decision both OJK and Bank Bukopin had appealed. Subsequently, in November 2020, Bosowa filed a lawsuit against the Bank and OJK as joint defendants in the Central Jakarta District Court of Indonesia, alleging that the Bank's acquisition of Bank Bukopin's shares in September 2020, as well as the capital increase through which the Bank obtained such shares, violated certain Indonesian laws and regulations, and claimed IDR 20,759 billion in damages to compensate Bosowa's losses as a shareholder of Bank Bukopin. Subsequently, Bosowa withdrew its lawsuit in May 2021, which was approved by the Central Jakarta District Court of Indonesia in June 2021.

## ASSETS AND LIABILITIES OF THE BANK

The tables below set out selected financial highlights regarding the Bank's assets and liabilities, on a consolidated basis, except as otherwise indicated.

Certain information with respect to the Bank's loan portfolio and the asset quality of the Bank's loans is presented below on a basis consistent with certain requirements of the FSC applicable to Korean banks, which differs (as described below where applicable) from the presentation of such information in the Bank's financial statements prepared in accordance with Korean IFRS, as the Bank believes that such alternative presentation allows the Bank to provide additional details regarding its loan portfolio and the asset quality of our loans which would be helpful to its investors.

### LOAN PORTFOLIO

#### Loan Types

The following table presents, on a separate basis, loans by type as of the dates indicated. Except where specified otherwise, all loan amounts stated below are before deduction of allowances for loan losses. Total loans reflect the Bank's loan portfolio, including past due amounts, on a separate basis.

	As of December 31,	
	2020	2021
	(in billions of Won)	
<b>Domestic:</b>		
Corporate		
SME. . . . .	₩ 115,322	₩ 126,191
Large corporate <sup>(1)</sup> . . . . .	33,756	42,047
Retail		
Mortgage and home equity. . . . .	112,817	119,032
Other consumer. . . . .	49,511	51,499
Total domestic . . . . .	311,406	338,769
<b>Foreign . . . . .</b>	7,658	12,171
<b>Total gross loans . . . . .</b>	<u>₩ 319,064</u>	<u>₩ 350,940</u>

*Note:*

(1) Large corporate loans include loans to the Government or Government-related agencies (including KDIC).

## Loan Concentration by Industry

The following table presents, on a separate basis, the aggregate balance of the Bank's domestic and foreign corporate loans, by industry concentration, as of the dates indicated:

	As of December 31,			
	2020		2021	
	Amount	%	Amount	%
	(in billions of Won, except percentages)			
<b>Industry</b>				
Services . . . . .	₩ 69,933	44.6%	₩ 79,044	43.8%
Manufacturing . . . . .	43,242	27.6	46,252	25.6
Wholesale and retail . . . . .	20,548	13.1	23,802	13.2
Financial institutions . . . . .	13,610	8.7	18,710	10.4
Construction . . . . .	2,574	1.6	2,883	1.6
Public sector . . . . .	1,114	0.7	1,564	0.9
Others . . . . .	5,832	3.7	8,292	4.6
Total . . . . .	₩ 156,853	100.0%	₩ 180,547	100.0%

The COVID-19 pandemic has heavily impacted certain industries, including those in the services sector such as transportation, food and beverage, hotel, leisure and shipping, and those in the manufacturing sector such as automobile transportation equipment manufacturing, automotive component manufacturing, electronic component manufacturing, telecommunications and shipbuilding. There have also been initiatives to suspend the principal and interest payment obligations of certain borrowers for an extended period of time due to COVID-19. See “*Risk Factors – Other risks relating to the Bank’s business – The ongoing pandemic of COVID-19 and any possible recurrence of other types of widespread infectious disease may adversely affect the Bank’s business, financial condition or results of operations.*” The following table presents the Bank’s exposure and additional provisions recognized for certain industries most impacted by COVID-19, as well as the Bank’s exposure and additional provisions recognized as of December 31, 2021 in connection with the Bank’s initiatives to suspend the payment obligations of certain of its borrowers.

	As of December 31, 2021			
	Industry sectors affected by COVID-19 <sup>(1)</sup>		Suspension of principal and interest payment	
	Exposure	Additional provisions	Exposure	Additional provisions
	(in billions of Won)			
Loans . . . . .	₩ 110,216	₩ 51	₩ 18,485	₩ 17
Acceptances and guarantees, and unused loan commitments . . . . .	₩ 28,799	₩ 20	₩ 1,232	₩ 2
Total . . . . .	₩ 139,015	₩ 71	₩ 19,717	₩ 19

Note:

- (1) Includes service industries (e.g., transportation, food and beverage, hotel, leisure and shipping) and manufacturing industries (e.g., automobile transportation equipment, automotive components, petrochemical, electronic components, telecommunications and shipbuilding).

## Maturity Analysis

The Bank typically rolls over its working capital loans and unsecured consumer loans (other than those payable in instalments) after it conducts its normal loan review in accordance with its loan review procedures. Working capital loans may generally be extended on an annual basis for an aggregate term of five years and unsecured consumer loans may generally be extended for another term of up to 12 months for an aggregate term of ten years.

The following table sets out, on a separate basis, the scheduled maturities (time remaining until maturity) of the Bank's loan portfolio as of December 31, 2021. The amounts disclosed are before deduction of allowances for loan losses:

	1 Year or Less	Over 1 year But Not More Than 5 Years	Over 5 Years But Not More Than 15 Years	Over 15 Years	Total
	(in billions of Won)				
<b>Domestic:</b>					
Corporate					
SMEs . . . . .	₩ 87,180	₩ 34,780	₩ 3,958	₩ 273	₩ 126,191
Large corporate . . . . .	27,100	10,700	3,413	833	42,047
Total corporate . . . . .	114,280	45,480	7,371	1,106	168,238
Retail					
Mortgage and home equity . . . . .	18,319	22,028	8,291	70,394	119,032
Other consumer . . . . .	38,442	7,424	2,375	3,258	51,499
Total retail . . . . .	56,761	29,452	10,666	73,652	170,531
Total domestic . . . . .	171,041	74,932	18,037	74,758	338,769
Foreign . . . . .	5,000	6,390	751	30	12,171
<b>Total gross loans . . . . .</b>	<b>₩ 176,041</b>	<b>₩ 81,322</b>	<b>₩ 18,788</b>	<b>₩ 74,788</b>	<b>₩ 350,940</b>

## INTEREST RATE SENSITIVITY

The following table shows, on a separate basis, the total amount of loans due after one year which have fixed interest rates and variable or adjustable interest rates as of December 31, 2021:

	Fixed Rate <sup>(1)</sup>	Variable or adjustable rates <sup>(2)</sup>	Total
	(in billions of Won)		
<b>Domestic:</b>			
Corporate . . . . .			
SMEs . . . . .	₩ 39,011	₩ 21,587	₩ 17,424
Large corporate . . . . .	14,947	6,765	8,182
Total corporate . . . . .	53,958	28,352	25,606

	Fixed Rate <sup>(1)</sup>	Variable or adjustable rates <sup>(2)</sup>	Total
	(in billions of Won)		
Retail			
Mortgage and home equity. . . . .	100,714	7,435	93,279
Other consumer. . . . .	13,057	172	12,885
Total retail. . . . .	113,771	7,607	106,164
Foreign . . . . .	7,171	1,133	6,038
Total. . . . .	₩ 174,900	₩ 37,092	₩ 137,808

*Notes:*

(1) Fixed rate loans are loans for which the interest rate is fixed for the entire term.

(2) Variable or adjustable rate loans are loans for which the interest rate is not fixed for the entire term.

For additional information regarding the Bank's management of interest rate risk, see "*Risk Management of the Bank – Market Risk Management.*"

### Credit Exposures to Companies in Workout, Restructuring or Rehabilitation

Workout is a voluntary procedure through which the Bank, together with the borrower and other creditors, seeks to restore the borrower's financial stability and viability. Previously, workouts were regulated under a series of Corporate Restructuring Promotion Acts, which last expired on June 30, 2018. In September 2018, the National Assembly of Korea adopted a new Corporate Restructuring Promotion Act, which became effective in October 2018 and is scheduled to expire in October 2023.

Under the new Corporate Restructuring Promotion Act, creditors of a financially troubled borrower may participate in a creditors' committee, which is authorized to prohibit such creditors from exercising their rights against the borrower, commence workout procedures and approve or make revisions to a reorganization plan prepared by the lead creditor bank, the borrower and external experts. The composition of the creditors' committee is determined at the initial meeting of the committee by the approval of creditors holding not less than 75% of the borrower's total outstanding debt held by creditors who were notified of the initial meeting of the committee. Although creditors that are not financial institutions or hold less than 1% of the total outstanding debt of the borrower need not be notified of the initial meeting of the creditors' committee, if such creditors wish to participate, they may not be excluded. Any decision of the creditors' committee required the approval of creditors holding not less than 75% of the total outstanding debt of the borrower. However, if a single creditor holds 75% or more of the borrower's total outstanding debt held by the creditors comprising the creditors' committee, any decision of the creditors' committee requires the approval of not less than 40% of the total number of creditors (including such single creditor) comprising the committee. An additional approval of creditors holding not less than 75% of the secured debt is required with respect to the borrower's debt restructuring. Once approved, any decision made by the creditors' committee is binding on all creditors of the borrower, with the exception of those creditors that are excluded by a resolution of the committee at its initial meeting and those who exercise their right to request that their claims be purchased. Creditors that vote against commencement of workout, approval or revision of the reorganization plan, debt restructuring, granting of new credit, extension of the joint management process or other resolutions of the committee have the right to request the creditors that vote in favor of such matters to purchase their claims at a mutually agreed price. In the event that the parties are not able to agree on the terms of purchase, a coordination committee consisting of experts would determine the terms. The creditors that oppose a decision made by the coordination committee may request a court to change such decision.

Upon approval of a workout plan, a credit exposure is initially classified as precautionary or lower and thereafter cannot be classified higher than precautionary with limited exceptions. If a corporate borrower is in workout, restructuring or rehabilitation, the Bank takes the status of the borrower into account in valuing the Bank's loans to and collateral from that borrower for purposes of establishing the Bank's allowances for credit losses.

Korean law also provides for corporate rehabilitation proceedings, which are court-supervised procedures to rehabilitate an insolvent company. Under these procedures, a restructuring plan is adopted at a meeting of interested parties, including creditors of the company. Such restructuring plan is subject to court approval.

As of December 31, 2021, on a separate basis, the Bank's loans and guarantees to companies that were in workout, restructuring or rehabilitation amounted to ₩252 billion or 0.1% of the Bank's total loans and guarantees, most of which were classified as impaired.

## **PROVISIONING POLICY**

Under Korean IFRS 1109, the Bank establishes allowances for credit losses based on expected credit losses instead of incurred losses by assessing changes in expected credit losses and recognizing such changes as impairment loss (or reversal of impairment loss) in profit or loss. According to three stages of credit risk deterioration since initial recognition under Korean IFRS 1109, the allowance required to be established with respect to a loan or receivable is (i) the amount of the expected 12-month credit loss for stage 1 loans or receivables and (ii) the expected lifetime credit loss for stages 2 and 3 loans or receivables.

If additions or changes to the allowances for loan losses are required, then the Bank records a provision for loan losses, which is included in impairment losses on credit loss and treated as a charge against current income. Credit exposures that the Bank deems to be uncollectible, including actual loan losses, net of recoveries of previously charged-off amounts, are charged directly against the allowances for loan losses.

The Bank generally considers the following loans to be impaired loans:

- loans that are past due by 90 days or more;
- loans that are subject to legal proceedings related to collection;
- loans to a borrower that has received a warning from the Korea Credit Information Services indicating that such borrower has exhibited difficulties in making timely payments of principal and interest;
- loans to corporate borrowers that are rated C or D according to the Bank's internal credit ratings for large companies or SMEs;
- loans for which account-specific provisions have been made resulting from a significant perceived decline in credit quality; and
- loans with respect to which the amount of principal and interest payable has been materially decreased due to restructuring.

The Bank regularly evaluates the adequacy of the overall allowances for loan losses and the Bank believes that the allowances for loan losses reflect its best estimate of probable loan losses as of each balance sheet date.

## NON-PERFORMING LOANS

Non-performing loans are defined as loans that are past due by 90 days or more. These loans are generally classified as substandard or below. For further information on the classification of non-performing loans under Korean regulatory requirements, see “– *Regulatory Reserve for Credit Losses*” below.

The following table shows, on a separate basis, certain details of the Bank’s total non-performing loan portfolio as of the dates indicated:

	As of December 31,	
	2020	2021
	(in billions of Won, except percentages)	
Total non-performing loans . . . . .	₩ 293	₩ 244
As a percentage of total loans . . . . .	0.1%	0.1%

The Bank has also issued securities backed by non-performing loans and collateralized bond obligations. Some of these transactions involve transfers of loans through securitizations where control of the loans has not been surrendered and, therefore, are not treated as sale transactions. Instead, the assets remain on the Bank’s balance sheet with the securitization proceeds treated as secured borrowings.

## ANALYSIS OF NON-PERFORMING LOANS

The following table sets forth, on a separate basis, the Bank’s total non-performing loans by type of borrower as of the dates indicated:

	As of December 31,			
	2020		2021	
	Amount	%	Amount	%
	(in billions of Won, except percentages)			
<b>Domestic:</b>				
Corporate				
SMEs . . . . .	₩ 111	37.8%	₩ 83	34.0%
Large corporate . . . . .	1	0.3	23	9.6
Total corporate . . . . .	112	38.1	106	43.6
Retail				
Mortgage and home equity . . . . .	133	45.2	100	40.9
Other consumer . . . . .	49	16.7	36	15.0
Total retail . . . . .	182	61.9	136	55.8
Total domestic . . . . .	293	100	242	99.5
<b>Foreign . . . . .</b>	0	0.1	1	0.5
Total non-performing loans . . . . .	₩ 293	100.0%	₩ 244	100.0%



## Top 20 Non-Performing Loans

As of December 31, 2021, the Bank's 20 largest non-performing loans accounted for, on a separate basis, 0.3% of its total non-performing loan portfolio. The following table shows, on a separate basis, certain information regarding the Bank's 20 largest non-performing loans as of December 31, 2021:

	Industry	Gross Principal Outstanding	Allowances for Loan Losses <sup>(1)</sup>
(in millions of Won)			
Borrower A . . . . .	Services	₩ 18,667	₩ 1,928
Borrower B . . . . .	Manufacturing	17,428	7,709
Borrower C . . . . .	Manufacturing	8,455	1,488
Borrower D . . . . .	Services	6,033	4,301
Borrower E . . . . .	Others	2,263	97
Borrower F . . . . .	Construction	2,182	15
Borrower G . . . . .	Manufacturing	1,956	426
Borrower H . . . . .	Others	1,693	34
Borrower I . . . . .	Services	1,460	262
Borrower J . . . . .	Manufacturing	1,447	66
Borrower K . . . . .	Manufacturing	1,275	68
Borrower L . . . . .	Manufacturing	1,250	181
Borrower M . . . . .	Services	1,237	480
Borrower N . . . . .	Manufacturing	1,029	35
Borrower O . . . . .	Manufacturing	1,013	250
Borrower P . . . . .	Services	1,013	132
Borrower Q . . . . .	Others	1,000	7
Borrower R . . . . .	Manufacturing	944	253
Borrower S . . . . .	Manufacturing	867	158
Borrower T . . . . .	Others	824	312
Total . . . . .		₩ 72,036	₩ 18,202

Note:

- (1) If the estimated recovery value of collateral for a non-performing loan is sufficient compared to the outstanding loan balance, no allowances for loan losses for such non-performing loan is recorded.

## Non-performing Loan Strategy

One of the Bank's primary objectives is to prevent the Bank's loans from becoming non-performing. Through the Bank's corporate credit rating systems, the Bank believes that it has reduced its risks relating to future non-performing loans. The Bank's credit rating systems are designed to prevent the Bank's loan officers from extending new loans to borrowers with high credit risks based on the borrower's credit rating. The Bank's early warning system is designed to bring any sudden increase in a borrower's credit risk to the attention of the Bank's loan officers, who then closely monitor such loans. See "*Risk Management of the Bank – Credit Risk Management*."

Notwithstanding the above, if a loan becomes non-performing, an officer at the branch level responsible for monitoring non-performing loans will commence a due diligence review of the borrower's assets, send a notice either demanding payment or stating that the Bank will take legal action and prepare for legal action.

At the same time, the Bank will also initiate its non-performing loan management process, which begins with:

- identifying loans subject to a proposed sale by assessing the estimated losses from such sale based on the estimated recovery value of collateral, if any, for such non-performing loans;
- identifying loans subject to charge-off based on the estimated recovery value of collateral, if any, for such non-performing loans and the estimated rate of recovery of unsecured loans; and
- on a limited basis, identifying corporate loans subject to normalization efforts based on the cash flow situation of the borrower.

Once the details of a non-performing loan are identified, the Bank pursues early solutions for recovery. While the overall process is the responsibility of the Bank's Credit Division, actual recovery efforts on non-performing loans are handled at the operating branch level.

Methods for resolving non-performing loans include the following:

- non-performing loans are managed by the operating branches until such loans are charged off;
- a demand note is dispatched by mail if payment is generally one month past due;
- calls and visits are made by the operating branches to customers encouraging them to make payments;
- borrowers who are past due on payments of interest and principal are registered on the Korea Federation of Issuers' database of non-performing loans;
- for unsecured loans, the loans are transferred to the Bank's affiliate, KB Credit Information, for collection on a case-by-case basis;
- for secured loans, actions to enforce or protect the security interests (including foreclosure and auction of the collateral) are commenced within four months of such loans becoming past due; and
- charged off loans are given to KB Credit Information for collection, except for loans where the cost of collection exceeds the possible recovery or where the statute of limitations for collection has expired.

If a loan becomes non-performing, it is managed by an operating branch until such loan is charged off. However, in order to promote speedy recovery on loans subject to foreclosures and litigation, the Bank's policy is to permit the branch responsible for handling these loans to request one of the Bank's regional head offices for assistance with litigation proceedings and proceedings related to foreclosure and auction of the collateral.

In addition to making efforts to collect on these non-performing loans, the Bank also undertakes measures to reduce the level of the Bank's non-performing loans, which include:

- selling the Bank's non-performing loans to third parties, including the Korea Asset Management Corporation; and
- entering into asset securitization transactions with respect to the Bank's non-performing loans.

The Bank generally expects to suffer a partial loss on loans that it sells or securitizes, to the extent such sales and securitizations are recognized under Korean IFRS as sale transactions.

## REGULATORY RESERVE FOR CREDIT LOSSES

If the Bank's allowances for credit losses are deemed insufficient for regulatory purposes, the Bank is required to compensate for the difference by recording a regulatory reserve for credit losses, which is segregated within the Bank's retained earnings. Regulatory reserve for credit losses is not available for distribution to shareholders as dividends. The level of regulatory reserve for credit losses required to be recorded is equal to the amount by which the Bank's allowances for credit losses are less than the greater of (x) the amount of expected loss calculated using the internal ratings-based approach under Basel III and as approved by the FSS and (y) the required amount of credit loss reserve calculated based on standards prescribed by the FSC. As of December 31, 2021, on a separate basis, the Bank's regulatory reserve for credit losses was ₩2,715 billion.

The following tables set forth the FSC's guidelines for the classification of loans and the minimum percentages of the outstanding principal amount of the relevant loans or balances that the credit loss reserve must cover:

Loan Classification	Loan Characteristics
Normal. . . . .	Loans extended to customers that, based on the Bank's consideration of their business, financial position and future cash flows, do not raise concerns regarding their ability to repay the loans.
Precautionary . . . . .	Loans extended to customers that (i) based on the Bank's consideration of their business, financial position and future cash flows, show potential risks with respect to their ability to repay the loans, although showing no immediate default risk or (ii) are in arrears for one month or more but less than three months.
Substandard . . . . .	(i) Loans extended to customers that, based on the Bank's consideration of their business, financial position and future cash flows, are judged to have incurred considerable default risks as their ability to repay has deteriorated; or  (ii) the portion that the Bank expects to collect of total loans (a) extended to customers that have been in arrears for three months or more, (b) extended to customers that have incurred serious default risks due to the occurrence of, among other things, final refusal to pay their debt instruments, entry into liquidation or bankruptcy proceedings, or closure of their businesses, or (c) extended to customers who have outstanding loans that are classified as "doubtful" or "estimated loss."
Doubtful. . . . .	Loans exceeding the amount that the Bank expects to collect of total loans to customers that:  (i) based on the Bank's consideration of their business, financial position and future cash flows, have incurred serious default risks due to noticeable deterioration in their ability to repay; or  (ii) have been in arrears for three months or more but less than 12 months.

<b>Loan Classification</b>	<b>Loan Characteristics</b>
Estimated loss. . . . .	Loans exceeding the amount that the Bank expects to collect of total loans to customers that <ul style="list-style-type: none"> <li>(i) based on the Bank's consideration of their business, financial position and future cash flows, are judged to be accounted as a loss because the inability to repay became certain due to serious deterioration in their ability to repay;</li> <li>(ii) have been in arrears for 12 months or more; or</li> <li>(iii) have incurred serious risks of default in repayment due to the occurrence of, among other things, final refusal to pay their debt instruments, liquidation or bankruptcy proceedings or closure of their business.</li> </ul>

<b>Loan Classifications</b>	<b>Corporate<sup>(1)</sup></b>	<b>Consumer</b>
Normal . . . . .	0.85% or above	1% or above
Precautionary . . . . .	7% or above	10% or above
Substandard . . . . .	20% or above	20% or above
Doubtful . . . . .	50% or above	55% or above
Estimated loss . . . . .	100%	100%

*Note:*

(1) Subject to certain exceptions pursuant to the Banking Industry Supervision Regulation of Korea.

## **LOAN CHARGE-OFFS**

### **Basic Principles**

The Bank attempts to minimize loans to be charged off by adhering to a sound credit approval process based on credit risk analysis prior to extending loans and a systematic management of outstanding loans. However, if charge-offs are necessary, the Bank charges off loans subject to its charge-off policy at an early stage in order to maximize accounting transparency, to minimize any waste of resources in managing loans which have a low probability of being collected and to reduce the Bank's non-performing loan ratio.

### **Loans to Be Charged Off**

Loans are charged off if they are deemed to be uncollectible by falling under any of the following categories:

- loans for which collection is not foreseeable due to insolvency, bankruptcy, compulsory execution, disorganization, dissolution or the shutting down of the business of the debtor;
- loans for which collection is not foreseeable due to the death or disappearance of the debtor;
- loans for which expenses of collection exceed the collectable amount;
- loans on which collection is not possible through legal or any other means; and
- the portion of loans classified as "estimated loss," net of any recovery from collateral, which is deemed to be uncollectible.

## Procedure for Charge-off Approval

In order to charge off corporate loans, an application for a charge-off must be submitted to the Credit Management Department promptly after the corporate loan is classified as estimated loss or deemed uncollectible. The Credit Management Department refers the charge-off application to the Bank's Channel Audit Department for their review to ensure compliance with the Bank's internal procedures for charge-offs. Then, the Credit Management Department, after reviewing the application to confirm that it meets relevant requirements, seeks an approval from the FSS for the Bank's charge-offs, which is typically granted. Once the Bank receives approval from the FSS, the Bank must also obtain approval from its senior management to charge off those loans. For accounting purposes, the Bank recognizes charge-offs of corporate loans under Korean IFRS prior to approval from the FSS.

With respect to unsecured retail loans, the Bank follows a different process to determine which unsecured retail loans should be charged off, based on the length of time those loans are past due. The Bank charges off unsecured retail loans deemed to be uncollectible under Korean IFRS.

## Treatment of Loans Charged Off

Once loans are charged off, the Bank classifies them as charged-off loans and removes them from its balance sheet. These loans are managed based on a different set of procedures. The Bank continues its collection efforts in respect of these loans although loans may be charged off before the Bank begins collection efforts in some circumstances.

If a collateralized loan is overdue, the Bank will, typically within one year from the time that such loan became overdue (or after a longer period in certain circumstances), petition a court to foreclose and sell the collateral through a court-supervised auction. If a debtor ultimately fails to repay and the court grants its approval for foreclosure, the Bank will sell the collateral, net of expenses incurred from the auction.

## Net Charge-Offs

The following table presents the Bank's net charge-offs for each of the years indicated:

For the years ended December 31,						
2020			2021			
Average Loans	Net Charge- Offs	Net Charge- Offs/Average Loans	Average Loans	Net Charge- Offs	Net Charge- Offs/Average Loans	
(in billions of Won, except percentages)						
<b>Domestic:</b>						
Corporate						
Small- and medium sized enterprise . .	₩113,727	₩ (9)	0.0%	₩120,344	₩ (13)	0.0%
Large corporate . . .	33,175	102	0.3	35,000	100	0.3
Total corporate. . .	146,902	93	0.1	155,344	87	0.1
Retail						
Mortgage and home equity . . . . .	109,130	(3)	0.0	114,726	(28)	0.0
Other consumer. . .	46,810	208	0.4	52,105	110	0.2
Total retail. . . . .	155,940	205	0.1	166,831	82	0.0
<b>Foreign: . . . . .</b>	<b>13,647</b>	<b>121</b>	<b>0.9</b>	<b>21,143</b>	<b>87</b>	<b>0.4</b>
<b>Total . . . . .</b>	<b>₩ 316,489</b>	<b>₩ 419</b>	<b>0.1%</b>	<b>₩ 343,318</b>	<b>₩ 256</b>	<b>0.1%</b>

## INVESTMENT PORTFOLIO

### Investment Policy

The Bank invests in and trades Won-denominated and, to a lesser extent, foreign currency-denominated securities for its own account to:

- maintain the stability and diversification of the Bank's assets;
- maintain adequate sources of back-up liquidity to match the Bank's funding requirements; and
- supplement income from the Bank's core lending activities.

In making securities investments, the Bank takes into account a number of factors, including macroeconomic trends, industry analysis, credit evaluation and maturity in determining whether to make particular investments in securities.

The Bank's investments in securities are also subject to a number of guidelines, including limitations prescribed under the Financial Holding Company Act and the Bank Act. Under these regulations, the Bank must limit its investments in equity securities and certain other securities with a redemption period of over three years (other than Government bonds, the Monetary Stabilization Bonds issued by the BOK, among others) to 100% of its total Tier I and Tier II capital amount (less any capital deductions). Generally, the Bank is also prohibited from acquiring more than 15% of the shares with voting rights issued by any other corporation subject to certain exceptions. Pursuant to the Bank Act, a bank and its trust accounts are prohibited from acquiring the shares of a major shareholder (for the definition of "major shareholder," see *"Regulation and Supervision of the Bank – Legal and Regulatory Framework in Korea – Financial Exposure to Any Individual Customer or Major Shareholder"*) of that bank in excess of an amount equal to 1% of the sum of the bank's Tier I and Tier II capital (less any capital deductions). Further information on the regulatory environment governing the Bank's investment activities is set out in *"Regulation and Supervision of the Bank – Legal and Regulatory Framework in Korea – Liquidity"* and *"Regulation and Supervision of the Bank – Legal and Regulatory Framework in Korea – Restrictions on Shareholdings in Other Companies."*

For the definitions of the three categories of securities the Bank holds (financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial instruments at amortized cost), see Note 3.5 of the notes to the Bank's consolidated financial statements for 2020 and 2021 included elsewhere in this Offering Circular. The Bank also holds limited balances of venture capital securities, non-marketable and restricted equity securities and derivative instruments.

## MATURITY ANALYSIS

The following table categorizes the Bank's debt securities by maturity and weighted average yield as of December 31, 2021:

			Over 1		Over 5					
	Within 1	Weighted	But	Weighted	But	Weighted	Over 10	Weighted		Weighted
	Year	Average	within 5	Average	within 10	Average	Years	Average	Total	Average
		Yield <sup>(1)</sup>	Years	Yield <sup>(1)</sup>	Years	Yield <sup>(1)</sup>		Yield <sup>(1)</sup>		Yield <sup>(1)</sup>
(in billions of Won, except percentages)										
Financial assets at fair value through other comprehensive income:										
Korean treasury securities and government agencies. . . . .	₩ 823	1.46%	₩4,975	1.56%	₩ 321	2.05%	₩29	6.73%	₩6,147	1.59%
Debt securities issued by financial institutions . .	6,471	1.09	12,022	1.45	188	2.80	–	–	18,681	1.34
Corporate debt securities. .	1,839	2.07	10,543	1.80	148	2.87	–	–	12,530	1.85
Asset-backed securities . .	624	1.26	159	1.25	–	–	–	–	782	1.26
Total . . . . .	₩ 9,757	1.32%	₩ 27,699	1.60%	₩ 657	2.45%	₩ 29	6.73%	₩ 38,140	1.55%
Financial assets at amortized cost:										
Korean treasury securities and government agencies. . . . .	₩ 112	1.79%	₩ 3,891	1.11%	₩1,739	1.92%	₩–	–%	₩5,742	1.37%
Debt securities issued by financial institutions . .	654	1.64	2,112	2.21	252	6.70	358	4.32	3,377	2.66
Corporate debt securities. .	382	2.28	4,573	1.99	1,403	1.72	–	–	6,358	1.95
Asset-backed securities . .	652	2.20	3,287	1.85	2,696	1.87	24	1.84	6,660	1.89
Total . . . . .	₩ 1,800	1.99%	₩ 13,863	1.74%	₩ 6,090	2.05%	₩ 382	4.16%	₩ 22,137	1.89%
Total . . . . .	₩ 11,557	1.42%	₩ 41,562	1.65%	₩ 6,747	2.09%	₩ 411	4.34%	₩ 60,277	1.67%

*Note:*

- (1) The weighted average yield for the portfolio represents the yield to maturity for each individual security, weighted using its carrying amount (which is the amortized cost in the case of financial assets at amortized cost and the fair value in the case of financial assets at fair value through other comprehensive income).

## FUNDING

The Bank obtains funding for its lending activities from a variety of sources, both domestic and foreign. The Bank's principal source of funding is customer deposits. In addition, the Bank acquires funding through long-term borrowings (comprising debentures and debts), short-term borrowings, including borrowings from the BOK, and call money.

The Bank's primary funding strategy has been to achieve low-cost funding by increasing the average balances of low-cost retail deposits, in particular demand deposits and time deposits. The Bank also has focused its marketing efforts on higher net worth individuals, who account for a significant portion of the assets in its retail deposit base.



The Bank's borrowings consist of issuances of debentures and debt from financial institutions, the Government and government-affiliated funds. The majority of the Bank's debt is long-term, with maturities ranging from one year to 30 years.

## Deposits

Although the majority of the Bank's deposits are short-term, it has been the Bank's experience that the majority of the Bank's depositors generally roll over their deposits at maturity, providing the Bank with a stable source of funding.

The following table shows the average balances of the Bank's deposits and the average rates paid on such deposits for the periods indicated:

	For the years ended December 31,			
	2020		2021	
	Average Balance <sup>(1)</sup>	Average Rate Paid	Average Balance <sup>(1)</sup>	Average Rate Paid
(in billions of Won, except percentages)				
Demand deposits:				
Non-interest-bearing . . . . .	₩ 4,565	—	₩ 5,356	—
Interest-bearing . . . . .	143,203	0.17%	172,980	0.15%
Time deposits	165,435	1.57%	157,371	1.20%
Certificates of deposit . . . . .	3,636	1.38%	3,618	0.86%
Average total deposits . . . . .	₩ 316,839	0.91%	₩ 339,325	0.64%

Note:

(1) Average balances are based on daily balances

For a description of the Bank's retail deposit products, see *"The Bank – Retail Banking – Deposit-taking Activities."*

Uninsured deposits, including uninsured time deposits, are not subject to Korean regulatory reporting requirements. Notwithstanding the foregoing, the Depositor Protection Act provides insurance for certain deposits of banks in Korea through a deposit insurance system. See *"Regulation and Supervision of the Bank – Deposit Insurance System."* Other than the maximum ₩50 million per individual or entity for deposits and interest in a single financial institution insured by the Korea Deposit Insurance Corporation in accordance with the foregoing, all deposits are uninsured. The insured status of deposits in our foreign subsidiaries, the amount of which we do not consider to be material as of the date of this Offering Circular, are determined based on the individual insurance limits enacted within local regulations, and are thus subject to differing national deposit insurance regimes.

The Bank's total uninsured deposits, including uninsured deposits at its foreign subsidiaries, amounted to ₩313,969 billion and ₩343,002 billion as of December 31, 2020 and 2021, respectively.

## Uninsured Time Deposits

The following table presents the remaining maturities of the Bank's uninsured time deposits, including uninsured time deposits at its foreign subsidiaries, as of December 31, 2021:

	<u>As of December 31, 2021</u>
	(in billions of Won)
Maturing within three months . . . . .	₩ 52,811
After three but within six months . . . . .	36,384
After six but within 12 months . . . . .	65,907
After 12 months . . . . .	<u>9,305</u>
Total. . . . .	<u><u>₩ 164,407</u></u>

# **RISK MANAGEMENT OF THE BANK**

## **OVERVIEW**

As a financial services provider, the Bank is exposed to various risks related to its lending and trading businesses, its funding activities and its operating environment. The Bank's goal in risk management is to ensure that it identifies, measures, monitors and controls the various risks that arise, and that its organization adheres strictly to the policies and procedures which it has established to address these risks. Under the Bank's internal regulations pertaining to its capital adequacy ratio and internal standards for risk appetite and internal capital under Basel III, the Bank identifies the following eight separate categories of risk inherent in its business activities: credit risk, market risk, operational risk, interest rate risk, liquidity risk, credit concentration risk, reputation risk and strategic risk. Of these, the principal risks to which the Bank is exposed are credit risk, market risk, liquidity risk and operational risk, and it strives to manage these and other risks within acceptable limits.

## **ORGANIZATION**

The Bank delegates risk management authority to its Risk Management Committee. The Risk Management Committee measures and monitors the various risks faced by the Bank and reports to the Bank's board of directors regarding decisions that it makes on risk management issues. The Risk Management Committee also makes certain strategic risk-related decisions regarding the operations of the Bank, such as allocating credit risk limits, setting total exposure limits and market risk-related limits and determining which market risk derivatives instruments the Bank can trade. The major activities of the Risk Management Committee include:

- determining and monitoring risk policies, guidelines, limits and tolerance levels and the level of risk in accordance with group policy established by KB Financial Group;
- reviewing and analyzing the Bank's risk profile;
- setting limits for and adjusting the risk capital allocation plan and risk levels for each business unit within the Bank; and
- monitoring compliance with the group-wide risk management policies and practices at the business unit and entity level.

The Risk Management Committee is supported by the Risk Management Council, which serves as the executive decision-making body for the Bank's risk management operations. At the operational level, the Bank's Risk Management Department and the Credit Group work closely with its business groups to implement risk management strategies, policies and procedures in accordance with the policies set forth by KB Financial Group's Group Risk Management Committee and the risk management strategies determined by the Bank's Risk Management Committee.

## **CREDIT RISK MANAGEMENT**

Credit risk is the risk of expected and unexpected losses in the event of borrower or counterparty defaults. Credit risk management aims to improve asset quality and generate stable profits while reducing risk through diversified and balanced loan portfolios. The Bank determines the creditworthiness of each type of borrower or counterparty through reviews conducted by its credit experts and through its credit rating systems, and the Bank sets a credit limit for each borrower or counterparty.

The Bank assesses and manages all credit exposures. The Bank measures expected losses and economic capital on assets (whether on- or off-balance sheet) that are subject to credit risk management and uses expected losses and economic capital as management indicators. The Bank manages credit risk by allocating credit risk economic capital limits. In addition, the Bank controls credit concentration risk exposure by applying and managing total exposure limits to prevent excessive risk concentration to particular industries or borrowers. Credit exposures that the Bank assesses and manages include loans to borrowers and counterparties, investments in securities, letters of credit, bankers' acceptances, derivatives and commitments. The Bank's risk appetite, which is the ratio of its required economic capital to its estimated available book capital, is approved by KB Financial Group's Group Risk Management Committee once a year. Thereafter, the Bank calculates economic capital every month for each business group and bank-wide based on attributed economic capital in accordance with the risk appetite as approved by the Group Risk Management Committee. The Bank measures and reports profiles of credit risk on a bank-wide level and by business group regularly to relevant business groups and senior management, including the Risk Management Council and the Risk Management Committee.

The Bank uses expected default rates and recovery rates to determine the expected loss rate of a borrower or counterparty. The Bank uses the expected loss rate to make credit related decisions, including pricing, loan approval and establishment of standards to be followed at each level of decision making. These rates are calculated using information gathered from its internal database. With respect to large corporate borrowers, the Bank also uses information provided by external credit rating services to calculate default rates and recovery rates.

The Bank's credit risk management processes include:

- establishing credit policy;
- credit evaluation and approval;
- industry assessment;
- total exposure management;
- collateral evaluation and monitoring;
- credit risk assessment;
- early warning and credit review; and
- post-credit extension monitoring.

## **CREDIT EVALUATION**

With respect to corporate loans, the Bank evaluates the ability of all loan applicants to repay their debts before it approves any loans, except for loans fully guaranteed by letters of guarantee issued by the Credit Guarantee Fund and the Korea Technology Credit Guarantee Fund, for loans fully secured by deposits and for other loans similarly guaranteed or secured. The Bank assigns each borrower or guarantor a credit rating based on the judgment of its experts or scores calculated using the appropriate credit rating system. Factors that the Bank considers in assigning credit ratings include both financial factors and non-financial factors, such as its perception of the borrower's ability to meet its payment obligations, risks relating to the industry in which the borrower operates, management and operational risks relating to the borrower,

the borrower's financial flexibility and the borrower's level of reliability based on its transaction history. With respect to retail loans, the Bank assigns credit ratings based on its internal information regarding the borrower that has been accumulated as well as external information gathered from credit bureaus relating to various criteria, such as the borrower's profession, annual income, credit card overdue information and transaction history involving both the Bank and other financial institutions. The credit rating process differs according to the type, size and characteristics of the borrower.

The Bank uses its internally developed credit rating systems to rate potential borrowers. As the characteristics of each customer segment differ, the Bank uses several credit rating systems for its customers. The nature of the credit rating system used for a particular borrower depends on whether the borrower is an individual, SOHO, SME or large company. For large companies and SMEs, the Bank has 17 credit ratings ranging from AAA to D. For retail customers, the Bank has 13 credit ratings ranging from grade 1 to grade 13.

Based on the credit rating of a borrower, the Bank applies different credit policies, which affect factors such as credit limit, loan period, loan pricing, loan classification and provisioning. The Bank also uses these credit ratings in evaluating its bank-wide risk management strategy. Factors the Bank considers in making this evaluation include the profitability of each company or transaction, performance of each business unit and portfolio management. The Bank monitors the credit status of borrowers and collects information to adjust its ratings appropriately. If the Bank changes a borrower's credit rating, the Bank will also change the credit policies relating to that borrower and it may also change the policies underlying its loan portfolio.

## **RETAIL LOAN APPROVAL PROCESS**

### **Mortgage Loans and Secured Retail Loans**

The Bank's processing center staff reviews mortgage loans and retail loans secured by real estate or guarantees. Branch staff employees forward loan applications to processing centers. However, in the case of loans secured by deposits with the Bank, its branch staff approves such loans. The Bank makes lending decisions based on its assessment of the value of the collateral, debt service capability and the borrower's score generated from its credit scoring systems.

For mortgage loans and loans secured by real estate, the Bank evaluates the value of the real estate offered as collateral using a database the Bank has developed that contains information about real estate values throughout Korea. The Bank also uses information from a third party provider about the real estate market in Korea, which gives the Bank up-to-date market value information for Korean real estate. In addition, the Bank's processing center staff employees review the value of real estate provided by the evaluation system to ensure there are no significant discrepancies. The Bank bases decisions regarding the approval of such loans primarily on the results of its credit scoring systems.

For loans secured by deposits, the Bank will generally grant loans up to 95% of the deposit amount if the Bank holds the deposit.

The Bank generally decides whether to evaluate a loan application within three to five days after recording the relevant information in its credit scoring systems.

## Unsecured Retail Loans

The Bank reviews applications for unsecured retail loans in accordance with its credit scoring systems. These automated systems evaluate loan applications and determine an appropriate pricing for the loan. The major benefits of using a credit scoring system are that it yields uniform results regardless of the user, that it can be used effectively by employees who do not necessarily have extensive experience in credit evaluation and that it can be updated easily to reflect changing market conditions by adjusting how each factor is weighted. The staff at the Bank's processing centers reviews the results of the credit scoring system based on information input by its branch staff and, if approved, issues the loan.

The Bank's credit scoring systems take into account factors including borrower's income, assets, profession, age, transaction history (with both the Bank and other financial institutions) and other relevant credit information. The systems rank each borrower in an appropriate grade and that grade is used as a factor in deciding whether to approve loans as well as to determine loan amounts.

The Bank generally bases its decisions on the results of its credit scoring systems to evaluate applications. However, a credit officer may overturn the results of the Bank's credit scoring systems in certain circumstances.

## Corporate Loan Approval Process

The Bank approves corporate loans at different levels of its organization depending on the size and type of the loan, the credit risk level assessed by the credit rating system, whether the loan is secured by collateral and, if secured, the value of the collateral. The lowest level of authority is the branch staff employee, who can approve small loans and loans that have the lowest range of credit risk. Larger loans and loans with higher credit risk are approved by higher levels of authority depending on where they fall in a matrix of loan size and credit risk. Depending on the size and terms of any particular loan or the credit risk relating to a particular borrower, more than one entity may review the application, although generally loan applications are reviewed only by the entity having corresponding authority to approve the loan.

The Bank evaluates all of its corporate borrowers by using credit rating systems, except for applicants whose borrowings are fully secured by deposits or applicants who have obtained third-party guarantees from the Government or certain other very highly rated guarantors. See "– Credit Evaluation" above.

For owner-operated enterprises (which the Bank refers to as SOHOs), the Bank has put in place a credit rating system known as Small Office Home Office Corporate Rating System ("SOHO CRS"). For other SMEs, the Bank has put in place a similar credit rating system known as Corporate Rating System ("CRS"). For large corporations, the Bank has put in place a similar credit rating system known as Large Corporate Rating System ("LCRS"). For financial institutions, certain non-profit organizations and public institutions, the Bank has put in place a credit rating system known as Financial Institute, Non-profit, Public Corporate Rating System ("FNP CRS"). The SOHO CRS, the CRS, the LCRS and the FNP CRS models consist of the following four parts:

- *Financial Model.* The financial model uses financial ratios such as stability ratio, profitability ratio and cash flow ratio to make credit determinations.
- *Non-financial Model.* The non-financial model uses various qualitative and quantitative factors, such as future repayment capability, industry-related risks, management-related risks and operation-related risks, to evaluate borrowers.
- *CEO Evaluation Model.* The CEO evaluation model is relevant for the SOHO CRS in particular (including business entities without external audits), and evaluates the credit information of the individual owner of SOHOs by reviewing such owner's personal information, bank transaction records and external credit ratings.
- *Default Signal Check Model.* The default signal check model checks factors that have low frequency of occurrence but are highly likely to lead to a default in the event of an occurrence. The results of the default signal check model may be used to cap a borrower's credit grade.

## **Total Exposure Management**

The Bank establishes and manages total exposure limits for industries, *chaebols* and corporations, as well as certain SMEs, in order to efficiently manage financial assets and to optimize the Bank's credit portfolio. The Bank establishes total exposure limits for (i) main debtor groups designated by the FSS, (ii) groups to which the Bank has total exposure of ₩50 billion or more, (iii) enterprises that belong to a main debtor group or large enterprises, in both cases to which the Bank has total exposure of ₩40 billion or more, (iv) SMEs to which the Bank has total exposure of ₩30 billion or more and (v) other groups or individual enterprises designated by the head of the Bank's Risk Management Group as necessary. The Bank establishes total exposure limits by reviewing factors such as industry, size, cash flows, financial ratios and credit ratings, while establishing exposure limits for industries by reviewing the sales growth rate and risk concentration for each industry. These total exposure limits are set following approval by the Bank's Risk Management Council after review by the Credit Risk Management Subcommittee.

The Bank's maximum exposure limit is within 25% of its Tier I and Tier II capital for a single group, and within 10% of its Tier I and Tier II capital for a single corporation.

The Bank manages and controls exposure limits on a daily basis. The principal system that the Bank uses for this purpose is the Total Exposure Management System. This system allows the Bank to monitor and control its total exposure to corporations, *chaebols* and industries. The Bank monitors its exposure to large corporations to which the Bank has an exposure of ₩40 billion or more, individual corporations to which the Bank has an exposure of ₩30 billion or more, and also its exposure to the 149 business groups, which comprise the 32 largest highly-indebted business groups, such groups being the main debtor groups in Korea designated as such by the FSS based on their outstanding exposures as well as 117 business groups to which it has exposures (in the form of securities or loans) of ₩50 billion or more. The Bank also monitors its exposure to 37 industries. The Bank's Total Exposure Management System integrates all of its credit-related risk including credit extended by its overseas branches and affiliates. The assets subject to the system include all Won-denominated and foreign currency-denominated loans, all assets in trust accounts except specified money trusts, guarantees, trade-related credits, commercial paper, corporate bonds and other securities and derivatives.

## **Collateral Evaluation and Monitoring System**

The Bank uses the Collateral Evaluation and Monitoring System to manage the liquidation value of collateral it holds. The Collateral Evaluation and Monitoring System is a computerized collateral management system that can be accessed from its headquarters and its branches. Using this system, the Bank can more accurately assess the actual liquidation value of collateral, determine the recovery rate on its loans and use this information in setting the Bank's credit risk management and loan policies. The Bank can monitor the value of all the collateral a borrower provides and the value of that collateral based on its liquidation value. When appraising the value of real estate collateral, which makes up the largest part of the Bank's collateral, the Bank consults a regularly updated database provided by a third party that tracks the prices at which various types of real estate in various regions of Korea are sold. The Bank appraises the value of collateral when it makes a loan, when the loan is due for renewal and when events occur that may change the value of the collateral.

## **Credit Risk Management and Monitoring**

The Bank's Credit Risk Department manages and regulates the Bank's loan portfolio policies. The Credit Risk Department also analyzes and monitors the Bank's loan portfolios and monitors the Bank's compliance with the applicable limits for credit risk. Moreover, the Credit Risk Department separately manages high-risk products, such as real estate project financing loans and over-the-counter derivative products, by setting appropriate limits.



## **Credit Review**

The Bank's credit review function is independent of the business groups which manage its assets. The Bank's Credit Review Department:

- reviews the Bank's internal credit regulations, policies and systems;
- analyzes the credit status of selected loan assets and verifies the appropriateness of the credit evaluations/approvals made by branches and headquarters; and
- evaluates the corporate credit risk of potentially insolvent companies.

More specifically, the Credit Review Department continuously reviews the financial condition of selected borrowers with respect to their current debt, collateral, business, transactions with related parties and debt service capability. Based on its review, the Bank may adjust the borrower's credit rating, its lending policy or asset quality classification of the loan provided to the borrower, depending on the applicable circumstances. The Bank also regularly reviews other aspects of the lending process, including industries and regions in which its borrowers operate and the quality of its domestic and overseas assets. The Bank's industry reviews focus on growth, stability, competition and ability to adapt to a changing environment. Based on the results of a particular industry review, the Bank may revise the total exposure limit assigned to that industry and the lending policy for each company within that industry. When a review takes place, the Bank may adjust not only the credit ratings of its borrowers based on a variety of factors, but also asset quality classification, credit limits and its credit policies. Credit review results are reported to the Bank's chief risk officer and the Risk Management Committee on a quarterly basis.

The Credit Review Department also conducts on-site reviews of selected branches and related credit analysis centers which are experiencing increasing delinquency ratios and bad debts. During these visits, the loan processes are examined and improvement plans and appropriate follow-up measures are recommended.

Also, based on guidelines provided by the FSS to all Korean banks, the Bank operates a corporate credit risk assessment program to facilitate the identification of weak companies and possible commencement of corporate restructuring. Through this program, the Bank, together with other banks, is able to detect symptoms of financially troubled companies at an early stage, assess related credit risk and support the normalization of companies that are likely to turnaround through a workout process, or seek to liquidate those companies that are not likely to recover.

The Credit Review Department also analyzes issues related to credit risk and provides information necessary for the formulation of effective credit policies and strategies and for effective credit risk management.

## **Market Risk Management**

The major risks to which the Bank is exposed are interest rate risk on debt instruments and interest-bearing securities and foreign exchange risk and, to a lesser extent, stock price risk. The financial instruments that expose the Bank to these risks are securities and financial derivatives. The Bank is also exposed to interest rate risk and liquidity risk in its banking book. The Bank divides market risk into risks arising from trading activities and risks arising from non-trading activities.

The Bank's Risk Management Council establishes overall market risk management principles. It has delegated the responsibility for the market risk management for trading activities to the Market Risk Management Subcommittee, which is chaired by its chief risk officer. This subcommittee meets on a regular basis each month and as required to respond to developments in the market and the economy. Based on the policies approved by the Risk Management Council, the Market Risk Management Subcommittee reviews and approves reports as required that include trading profits and losses, position reports, limit utilization, sensitivity analysis and value at risk ("VaR") analysis results for the Bank's trading activities.

The Risk Management Council is responsible for interest rate and liquidity risk management of non-trading activities. It meets on a regular basis and as required to respond to developments in the market and the economy. Members of the Risk Management Council, acting through the Bank's Risk Management Department, review the Bank's interest rate and liquidity gap position monthly, as well as the business profile and its impact on asset and liability management.

To ensure adequate interest rate and liquidity risk management, the Bank has assigned the responsibilities for its asset and liability risk management to its Risk Management Department in its Risk Management Group, which monitors and reviews the asset and liability operating procedures and activities of its Financial Planning Department and Asset and Liability Risk Management Department, and independently reports to the management on the related issues.

### **Market Risk Management for Trading Activities**

The Bank's trading activities consist of:

- trading activities for its own account to realize short-term trading profits in Won-denominated debt and equities markets and foreign exchange markets based on the Bank's short-term forecast of changes in the market situation; and
- trading activities involving derivatives, such as swaps, forwards, futures and option transactions, to realize profits primarily from selling derivative products to the Bank's customers and to hedge market risk incurred from those activities.

The Bank uses derivative instruments to hedge its market risk and, to a limited extent, to make profits by trading derivative products within acceptable risk limits. The principal objective of its hedging strategy is to manage the Bank's market risk within established limits. The Bank uses the following hedging instruments to manage relevant risks:

- to hedge interest rate risk arising from its trading activities, the Trading/Capital Markets Management Department occasionally uses interest rate futures (Korea Treasury Bond Futures) and interest rate swaps;
- to hedge stock price risk arising from its trading activities, the Trading/Capital Markets Management Department selectively uses stock index futures;
- to hedge interest rate risk and foreign exchange risk arising from its foreign currency-denominated asset and liability positions as well as its trading activities, the Treasury Unit within the Capital Markets Management Department use interest rate swaps, cross-currency interest rate swaps, foreign exchange forwards and futures, Euro-dollar futures and currency options; and
- to change the interest rate characteristics of certain assets and liabilities after the original investment or funding, the Bank uses swaps. For example, depending on the market situation, the Bank may choose to obtain fixed rate funding instead of floating rate funding if it believes that the terms are more favorable, which the Bank can achieve by entering into interest rate swaps.

The Bank generally manages its market risk at the portfolio level. To control its exposure to market risk, the Bank uses internal capital limits set by its Risk Management Council for itself and its groups and departments, VaR, position and stop loss limits set by the Risk Management Council for itself and its groups, and VaR, position, stop loss and sensitivity limits (PVBP, Delta, Gamma, Vega) set by the Bank's Market Risk Management Subcommittee for its departments. The Bank prepared its risk control and management guidelines for derivative trading based on the regulations and guidelines promulgated by the FSS.

In addition, the Bank has implemented internal processes which include a number of key controls designed to ensure that fair value is measured appropriately, particularly where a fair value model is internally developed and used to price a significant product. See Notes 3.3 and 6 of the notes to the Bank's consolidated financial statements for 2020 and 2021 included elsewhere in this Offering Circular. For example, each year the Risk Management Department reviews the existing pricing and valuation models, with a focus on their underlying modelling assumptions and restrictions, to assess the appropriateness of their continued use. In consultation with the Trading Department, the Risk Management Department recommends potential valuation models to the Fair Value Evaluation Committee. Upon approval by the Fair Value Evaluation Committee, the selected valuation models are reported to the Market Risk Management Subcommittee.

The Bank monitors market risk arising from trading activities of its business groups and departments. The market risk measurement model the Bank uses for both its Won-denominated trading operations and foreign currency-denominated trading operations is implemented through its integrated market risk management system, called Adaptiv, which enables the Bank to generate consistent VaR numbers for all trading activities.

**VaR analysis.** The Bank uses VaR to measure market risk. VaR is a statistically estimated maximum amount of loss that could occur over a given period of time at a given level of confidence. VaR is a commonly used market risk management technique. However, this approach does have some shortcomings. VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, as there may be conditions and circumstances in the future that the model does not anticipate. As a result, the timing and magnitude of the actual losses can be different depending on the assumptions made at the time of calculation. In addition, the time periods used for the model, generally one or ten days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or are too long, the VaR results may understate or overstate the potential loss. Different VaR methodologies and distributional assumptions could produce a materially different VaR. VaR is most appropriate as a risk measure for trading positions in liquid capital markets and will understate the risk associated with severe events, such as a period of extreme illiquidity.

The Bank uses a 99% single tail confidence level to measure VaR, which means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. Until 2011, the Bank used the "variance-covariance method" or parametric VaR ("PVaR") methodology to measure its daily VaR, which took into account the diversification effects among different risk categories as well as within the same risk category. In 2012, the Bank received authorization from the FSC to use a historical simulation VaR ("HSVaR") methodology, which the Bank believes to be more accurate and responsive in reflecting market volatilities, to measure market risk. The Bank's ten-day HSVaR method, which is computed using a full valuation and is computationally intensive, uses an archive of historical price data and the VaR for a portfolio is estimated by creating a hypothetical time series of returns on that portfolio, obtained by running the portfolio through actual ten-day historical data and computing the changes that would have occurred in each ten-day period.

The following table shows the volume and types of positions held by the Bank for which the VaR method is used to measure market risk as of the dates indicated.

	As of December 31,	
	2020	2021
	(in millions of Won)	
Securities – Bond <sup>(1)</sup> . . . . .	₩10,168,932	₩11,744,275
Securities – Equity <sup>(1)</sup> . . . . .	72,317	61,485
Spot exchanges <sup>(2)</sup> . . . . .	3,875,863	2,776,925
Derivatives <sup>(3)</sup> . . . . .	8,994,807	5,900,343
Total . . . . .	₩23,111,919	₩20,483,028

*Notes:*

- (1) Represents amounts marked to market and as shown on the balance sheet information that is prepared and submitted to the FSS for risk management purposes.
- (2) Represents the overall net open currency position in each currency, which is the greater of (i) the sum of the absolute value of all short positions and (ii) the sum of the absolute value of all long positions.
- (3) For over-the-counter derivatives, represents the absolute value of over-the-counter derivatives measured at fair value at year end. For exchange traded derivatives, includes the amount of deposits and the collateral posted for such derivatives.

The following table shows the Bank's ten-day HSVaRs (at a 99% confidence level for a ten-day holding period) as of the dates indicated for interest risk, stock price risk and foreign exchange risk relating to the Bank's trading activities. The following figures were calculated on a consolidated basis.

	As of December 31,	
	2020	2021
	(in billions of Won)	
<b>Risk Categories:</b>		
Interest risk . . . . .	₩50.8	₩16.5
Stock price risk . . . . .	24.8	5.5
Foreign exchange risk . . . . .	49.3	21.5
Less: diversification . . . . .	(7.3)	(13.0)
Diversified VaR for overall trading activities . . . . .	₩117.6	₩30.5

In 2021, the average, high, low and ending amounts of ten-day HSVaR (at a 99% confidence level for a ten-day holding period) for the Bank relating to its trading activities were as follows:

Trading activities VaR for 2021				As of
	Average	Minimum	Maximum	December 31, 2021
	(in billions of Won)			
Interest risk . . . . .	₩20.0	₩6.3	₩55.6	₩16.5
Stock price risk . . . . .	9.0	4.5	24.8	5.5
Foreign exchange risk . . . . .	27.8	17.8	49.2	21.5
Less: diversification . . . . .				(13.0)
Diversified VaR for overall trading activities . . . . .	₩40.9	₩15.9	₩115.3	₩30.5

In 2020, the average, high, low and ending amounts of ten-day HSVaR (at a 99% confidence level for a ten-day holding period) for the Bank relating to its trading activities were as follows:

Trading activities VaR for 2020				As of
	Average	Minimum	Maximum	December 31, 2020
	(in billions of Won)			
Interest risk . . . . .	₩59.3	₩9.6	₩106.0	₩50.8
Stock price risk . . . . .	15.2	3.8	24.3	24.8
Foreign exchange risk . . . . .	36.1	5.3	67.8	49.3
Less: diversification . . . . .				(7.3)
Diversified VaR for overall trading activities . . . . .	₩105.4	₩14.2	₩158.8	₩117.6

*Standardized Method.* Market risk for positions not measured by VaR are measured using the standardized method for measuring market risk-based required equity capital specified by the FSS, which takes into account certain risk factors. Under the standardized method, the required equity capital is measured using the risk-weighted values for each risk factor. The method used to measure the market risk-based required equity capital for each risk factor is as follows:

- Interest rate risk:
  - General market risk: General market risk relates to the risk of losses from macroscopic events which could have an impact on interest rates, stock prices, exchange rates, and market prices of general commodities. General market interest rate risk of a debt security is calculated on its net position, taking into consideration the remaining maturity and coupon rate.
  - Specific risk: Specific risk relates to the risk of loss from changes in credit risk of issuers of debt securities or equities, excluding changes in general market prices. Specific interest rate risk of a debt security is measured by multiplying the interest rate position appraised, based on the market price of such security, by the risk-weighted value applicable to the type of debt security, credit rating and the remaining maturity.

- Equity risk: General and specific equity risks are calculated by multiplying the bought or sold position by the relevant risk-weighted values.
- Foreign exchange risk: Foreign exchange risk is measured by multiplying the larger of the absolute values among the net bought or sold positions of each currency by the relevant risk-weighted values.
- Option risk: Option risk is measured using the delta, gamma and vega of the option.

The standardized method is used to measure the market risk of the positions for which the FSS has not approved the use of the VaR method. In addition, the Bank uses the standardized method for positions which are held by certain subsidiaries or for which measuring VaR is difficult due to the lack of daily position data.

The following table shows the volume and types of instruments held by the Bank for which the standardized method is used to measure its required equity capital as of the dates indicated.

	As of December 31,	
	2020	2021
	(in millions of Won)	
Bonds <sup>(1)</sup> . . . . .	₩–	₩125,722
Swaps and foreign exchange positions <sup>(2)</sup> . . . . .	₩217,007	452,615
Derivative-linked securities <sup>(3)</sup> . . . . .	85,021	–
Debt-equity swap stock put options <sup>(4)</sup> . . . . .	364	17
Total . . . . .	₩302,392	₩578,354

*Notes:*

- (1) Bonds held by the Issuer's overseas consolidated subsidiaries, which cannot be measured through the use of its internal models.
- (2) Includes the Issuer's overseas consolidated subsidiaries' currency positions and their positions for foreign exchange swaps, total return swaps held by special purpose vehicles and foreign exchange derivatives that have not been authorized by the FSS, which cannot be measured through the use of its internal models.
- (3) Amounts as of December 31, 2020 and 2021 represent the value of derivative-linked securities held by the trust accounts of the Issuer subject to consolidation, for which the standardized method is used to measure the Issuer's required equity capital.
- (4) Reflects the value of the Issuer's debt-equity swap stock put options in purchase agreements, which cannot be measured through the use of its internal models.

The following table shows the Bank's required equity capital measured using the standardized method as of the dates indicated.

	As of December 31,	
	2020	2021
	(in millions of Won)	
<b>Risk categories:</b>		
Interest risk . . . . .	₩40,290	₩25,431
Stock price risk . . . . .	7,088	5
Foreign exchange risk . . . . .	23,938	46,173
 Total . . . . .	 ₩71,316	 ₩71,610

*Back Testing.* The Bank conducts back testing on a daily basis to validate the adequacy of its market risk model. In back testing, the Bank compares both the actual and hypothetical profit and loss with the VaR calculations and analyzes any results that fall outside its predetermined confidence interval of 99%.

*Stress testing.* In addition to VaR, which assumes normal market situations, the Bank uses stress testing to assess its market risk exposure to abnormal market fluctuations. Abnormal market fluctuations include significant declines in the stock market and significant increases in the general level of interest rates. This is an important way to supplement VaR, as VaR is a statistical expression of possible loss under a given confidence level and holding period. It does not cover potential loss if the market moves in a manner that is outside the Bank's normal expectations. Stress testing projects the anticipated change in value of holding positions under certain scenarios assuming that no action is taken during a stress event to change the risk profile of a portfolio. According to its stress testing, the Bank estimates that as of December 31, 2021, its trading portfolio could have lost ₩511 billion for an assumed short-term extreme decline of approximately 25% in the equity market and an approximate 54 basis point increase in the Korean treasury bond rates under an abnormal stress environment.

The Bank monitors the impact of market turmoil or any abnormality by conducting stress tests and confirming that the results are within the Bank's market risk limits. If the impact is large, the Bank's chief risk officer may request that the Bank's portfolio be restructured or other appropriate action be taken.

### Interest Risk

Interest risk from trading activities arises mainly from the Bank's trading of Won-denominated debt securities. Its trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. As its trading accounts are marked-to-market daily, the Bank manages the interest risk related to its trading accounts using market value-based tools such as VaR and sensitivity analysis. As of December 31, 2021, the VaR of the Bank's interest risk from trading was ₩16.5 billion and the weighted average duration, or weighted average maturity, of its Won-denominated debt securities at fair value through profit or loss was approximately 2.6 years.

### Foreign Exchange Risk

Foreign exchange risk arises because the Bank has assets and liabilities that are denominated in currencies other than Won, as well as off-balance sheet items such as foreign exchange forwards and currency swaps. Assets and liabilities denominated in U.S. dollars, Japanese Yen, Euro, Chinese Renminbi and Indonesian IDR typically account for the majority of the Bank's foreign currency assets and liabilities.



The difference between the Bank's foreign currency assets and liabilities is offset against forward foreign exchange positions, currency options and currency swaps to obtain its net foreign currency open position. The Risk Management Council and Market Risk Management Subcommittee oversee the Bank's foreign exchange exposure for both trading and non-trading purposes by establishing a limit for this net foreign currency open position, together with stop loss limits. VaR limits are established on a combined basis for its domestic operations and foreign branches.

The following table shows the Bank's separate net open positions as of the dates indicated. Positive amounts represent long positions and negative amounts represent short positions.

	As of December 31,	
	2020	2021
	(in millions of US\$)	
<b>Currency:</b>		
US\$ . . . . .	US\$(676.2)	US\$(783.4)
Japanese Yen . . . . .	(2.6)	(4.2)
Euro . . . . .	4.8	7.0
Chinese Renminbi. . . . .	13.9	50.8
Others . . . . .	437.7	715.4
Total . . . . .	US\$(222.4)	US\$(14.4)

### Equity Price Risk

Equity price risk results from the Bank's equity derivatives trading portfolio in Won since the Bank does not have any trading exposure to shares denominated in foreign currencies other than foreign equity index futures.

The equity derivatives trading portfolio in Won consists of exchange-traded stocks and equity derivatives under strict limits on diversification as well as position limits and stop loss limits.

The Risk Management Council and Market Risk Management Subcommittee sets annual and monthly stop loss limits that are monitored by the Risk Management Department. In order to ensure timely action, the stop loss limit of individual securities is monitored by the Bank's middle office.

As of December 31, 2021, the Bank's equity trading position was ₩96.9 billion.

### Derivative Market Risk

The Bank's derivative trading includes interest rate and cross-currency swaps, foreign exchange forwards, stock index and interest rate futures and currency options. These activities consist primarily of the following:

- sales of tailor-made derivative products that meet various needs of the Bank's corporate customers and related transactions to reduce the Bank's exposure resulting from those sales;
- taking positions in limited cases when the Bank expects short-swing profits based on its market forecasts; and
- trading to hedge the Bank's interest rate and foreign currency risk exposure as described above.

Market risk from trading derivatives is not significant since the Bank's derivative trading activities are primarily driven by customer deals with very limited open trading positions.

## MARKET RISK MANAGEMENT FOR NON-TRADING ACTIVITIES

### Interest Rate Risk

The Bank's principal market risk from non-trading activities is interest rate risk. Interest rate risk arises due to mismatches in the maturities or re-pricing periods of these rate-sensitive assets and liabilities. The Bank measures interest rate risk for Won and foreign currency assets and liabilities in its bank accounts (including derivatives) and its principal guaranteed trust accounts. Most of the Bank's interest-earning assets and interest-bearing liabilities are denominated in Won and its foreign currency-denominated assets and liabilities are mostly denominated in U.S. dollars.

The Bank's principal interest rate risk management objectives are to generate stable net interest revenues and to protect its asset value against interest rate fluctuations. The Bank principally manages this risk for its non-trading activities by analyzing and managing maturity and duration gaps between its interest-earning assets and interest-bearing liabilities. In addition, the Bank uses hedging instruments for interest rate risk management for its non-trading assets and liabilities.

Interest rate gap analysis measures expected changes in net interest revenues by calculating the difference in the amounts of interest-earning assets and interest-bearing liabilities at each maturity and interest resetting date. The Bank performs interest rate gap analysis for Won-denominated and foreign currency-denominated assets and trust assets on a monthly basis or more frequently when deemed necessary.

*Interest Rate Gap Analysis.* The Bank performs interest rate gap analysis based on interest rate re-pricing maturities of assets and liabilities. However, for some of the Bank's assets and liabilities with either no maturities or unique characteristics, the Bank uses or assumes certain maturities, including the following examples:

With respect to asset maturities, the Bank assumes remaining maturities of prime rate-linked loans with remaining maturities of over one year to be one year and uses the actual maturities for prime rate-linked loans with remaining maturities of less than one year.

With respect to liability maturities, the Bank differentiates "non-core" and "core" demand deposits using the last 36 months' average balance of demand deposits. The Bank assumes "non-core" demand deposits to have remaining maturities of one month or less and "core" demand deposits to have remaining maturities between one month and five years.

The following table shows the Bank's consolidated interest rate gap for Won-denominated accounts and foreign currency-denominated accounts as of December 31, 2021:

As of December 31, 2021						
	0-3 Months	3-6 Months	6-12 Months	1-3 Years	Over 3 Years	Total
(in billions of Won, except percentages)						
<b>Won-denominated</b>						
<b>Interest-earning assets:</b>						
Loans . . . . .	₩107,123	₩80,455	₩73,232	₩34,355	₩24,477	₩319,642
Securities. . . . .	5,565	2,556	6,007	22,573	20,638	57,339
Others. . . . .	5,566	52	47	49	0	5,714
Total . . . . .	₩118,254	₩83,063	₩79,286	₩56,977	₩45,115	₩382,695
<b>Interest-bearing liabilities:</b>						
Deposits . . . . .	₩121,230	₩42,405	₩71,405	₩50,288	₩43,387	₩328,715
Borrowings . . . . .	15,541	0	0	166	0	15,707
Others. . . . .	13,254	2,985	6,940	3,620	2,150	28,949
Total . . . . .	₩150,025	₩45,390	₩78,345	₩54,074	₩45,537	₩373,371
Sensitivity gap . . . . .	(31,771)	37,673	941	2,903	(422)	9,324
Cumulative gap. . . . .	(31,771)	5,902	6,843	9,746	9,324	
% of total assets . . . . .	(8.3)%	1.5%	1.8%	2.5%	2.4%	
<b>Foreign</b>						
<b>currency-denominated</b>						
<b>Interest-earning assets:</b>						
Due from banks . . . . .	₩6,353	₩160	₩87	₩144	₩0	₩6,744
Loans . . . . .	20,868	4,058	3,262	2,432	4,494	35,114
Securities. . . . .	4,491	397	479	1,250	1,514	8,131
Total . . . . .	₩31,712	₩4,615	₩3,828	₩3,826	₩6,008	₩49,989
<b>Interest-bearing liabilities:</b>						
Deposits . . . . .	₩18,017	₩3,273	₩3,537	₩3,153	₩2,915	₩30,895
Borrowings . . . . .	11,727	3,899	2,364	2,595	2,935	23,520
Others. . . . .	1,638	0	0	0	0	1,638
Total . . . . .	₩31,382	₩7,172	₩5,901	₩5,748	₩5,850	₩56,053
Sensitivity gap . . . . .	330	(2,557)	(2,073)	(1,922)	158	(6,064)
Cumulative gap. . . . .	330	(2,227)	(4,300)	(6,222)	(6,064)	
% of total assets . . . . .	0.7%	(4.5)%	(8.6)%	(12.4)%	(12.1)%	

Duration Gap Analysis. The Bank also performs duration gap analysis to measure and manage interest rate risk. Duration gap analysis is a more long-term risk indicator than interest rate gap analysis, as interest rate gap analysis focuses more on accounting income as opposed to the market value of the assets and liabilities. The Bank emphasizes duration gap analysis because, in the long run, its principal concern with respect to interest rate fluctuations is the net asset value rather than net interest revenue changes. For duration gap analysis the Bank uses or assumes the same maturities for different assets and liabilities that it uses or assumes for the Bank's interest rate gap analysis.

The following table shows, on a separate basis, duration gaps and net asset value changes when interest rates decrease by one percentage point as of the specified dates.

<b>Won-denominated</b>	<b>Asset Duration</b>	<b>Liability Duration</b>	<b>Duration Gap</b>	<b>Net Asset Value Change</b>
	(in years)	(in years)	(in years)	(in billions of Won)
<b>Date</b>				
June 30, 2021.....	1.110	0.998	0.167	₩615
December 31, 2021.....	1.103	0.984	0.167	644
<b>Foreign currency-denominated</b>	<b>Asset Duration</b>	<b>Liability Duration</b>	<b>Duration Gap</b>	<b>Net Asset Value Change</b>
	(in years)	(in years)	(in years)	(in billions of Won)
<b>Date</b>				
June 30, 2021.....	0.988	0.758	0.182	₩77
December 31, 2021.....	1.025	0.794	0.164	84

The Bank sets interest rate risk limits using historical interest rate volatility of financial bonds and duration gaps with respect to expected asset and liability positions based on its annual business plans. The Risk Management Department submits interest rate gap analysis, duration gap analysis and interest rate risk limit compliance reports monthly to the Bank's Risk Management Council and quarterly to the Bank's Risk Management Committee.

The following table summarizes the Bank's interest rate risk, taking into account asset and liability durations as of December 31, 2021.

	As of December 31, 2021					
	3 Months or Less	3-6 Months	6-12 Months	1-3 Years	Over 3 Years	Total
	(in billions of Won, except percentages and maturities in years)					
<b>Won-denominated:</b>						
Asset position. . . . .	₩118,254	₩83,063	₩79,286	₩56,977	₩45,115	₩382,695
Liability position. . . . .	150,025	45,390	78,345	54,074	45,537	373,371
Gap . . . . .	(31,771)	37,673	941	2,903	(422)	9,324
Average maturity. . . . .	0.093	0.365	0.719	1.827	6.472	
Interest rate volatility. . . . .	0.76%	1.08%	1.38%	1.91%	1.55%	
Amount at risk . . . . .	58	148	(8)	146	308	652

As of December 31, 2021

	3 Months or Less	3-6 Months	6-12 Months	1-3 Years	Over 3 Years	Total
(in billions of Won, except percentages and maturities in years)						
<b>Foreign</b>						
<b>currency-denominated:</b>						
Asset position. . . . .	₩31,712	₩4,615	₩3,828	₩3,826	₩6,008	₩49,989
Liability position. . . . .	31,382	7,172	5,901	5,748	5,850	56,053
Gap . . . . .	330	(2,557)	(2,073)	(1,922)	158	(6,062)
Average maturity. . . . .	0.094	0.372	0.739	1.905	6.698	
Interest rate volatility. . . . .	0.02%	0.22%	0.47%	0.81%	1.41%	
Amount at risk . . . . .	0	(3)	(7)	(14)	204	180

*IRRBB Analysis.* Prior to January 2020, the Bank estimated the maximum possible loss on net non-trading assets due to unfavorable changes in interest rates by calculating interest rate VaR using a historical simulation method with actual historical price, volatility and yield changes in comparison with the current position to generate hypothetical portfolios and calculate a distribution of position and portfolio market value changes. Using this method, the Bank's interest rate VaR was ₩591 billion as of December 31, 2020 and ₩837 billion as of December 31, 2021.

Recent amendments to the Detailed Regulation on the Supervision of the Banking Business, which became effective in November 2019, require banks, including the Bank, to adopt the standards of the Interest Rate Risk in the Banking Book, or IRRBB, issued by the Basel Committee on Banking Supervision for calculating interest rate risk exposure. Such amendments were adopted in order to promote more financial stability for banks by requiring them to maintain a sufficient level of capital through a more robust risk management system. Under the new IRRBB analysis standards, the Bank estimates its interest rate risk by calculating the changes in economic value of equity and the changes in net interest income based on various interest rate risk scenarios. Under this method, the Bank's interest risk exposure was ₩937 billion as of December 31, 2021.

For additional information, see Note 4.4 of the notes to the Bank's consolidated financial statements for 2020 and 2021 included elsewhere in this Offering Circular.

### Foreign Exchange Risk

The Bank manages foreign exchange rate risk arising from its non-trading operations together with such risks arising from its trading operations. See “– *Market Risk Management for Trading Activities – Foreign Exchange Risk.*”

### Liquidity Risk Management

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and outflow of funds resulting from, for example, maturity mismatches, obtaining funds at a high price or disposing of securities at an unfavorable price due to lack of available funds. The Bank manages its liquidity in order to meet its financial liabilities from withdrawals of deposits, redemption of matured debentures and repayments at maturity of borrowed funds. The Bank also requires sufficient liquidity to fund loans, to extend other credits and to invest in securities. The Bank's liquidity management goal is to meet all its liability repayments on time and fund all investment opportunities even under adverse conditions. To date, the Bank has not experienced significant liquidity risk.

The Bank maintains liquidity by holding sufficient quantities of assets that can be liquidated to meet actual or potential demands for funds from depositors and others. The Bank also manages liquidity by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds the Bank believes it could raise by issuing securities. The Bank seeks to minimize its liquidity costs by managing its liquidity position on a daily basis and by limiting the amount of cash at any time that is not invested in interest-earning assets or securities.

The Bank maintains diverse sources of liquidity to facilitate flexibility in meeting its funding requirements. The Bank funds its operations principally by accepting deposits from retail and corporate depositors, accessing the call loan market (a short-term market for loans with maturities of less than 90 days), issuing debentures and borrowing from the BOK and others. The Bank uses the majority of funds it raises to extend loans or purchase securities. Generally, deposits are of shorter average maturity than loans or investments.

For Won-denominated assets and liabilities, the Bank manages liquidity using a cash flow structure based on holding short-term liabilities and long-term assets. Generally, the average initial contract maturity of the Bank's new Won-denominated time deposits was less than one year, while during the same period most of its new loans and securities had maturities over one year.

The Bank manages liquidity risk within the limits set on Won and foreign currency accounts in accordance with the regulations of the FSC. The FSC requires Korean banks, including the Bank, to maintain a liquidity coverage ratio of not less than 100%. The FSC defines the liquidity coverage ratio as the ratio of highly liquid assets to total net cash outflows over a 30-day period. The highly liquid assets and total net cash outflows included in the calculation of the liquid coverage ratio are determined in accordance with the "Standards for Calculation of Liquidity Coverage Ratio" under the Detailed Regulation on the Supervision of the Banking Business. In addition, the FSC requires Korean banks, including the Bank, to maintain a foreign currency liquidity coverage ratio of not less than 80%. In April 2020, in order to encourage financial institutions to provide financial support to companies adversely affected by COVID-19, the FSC announced that it would temporarily lower the required liquidity coverage ratio to 85%, and the required foreign currency liquidity coverage ratio to 70%. Following a series of extensions, the FSC announced in March 2022 that a phase-out of measures to lower the liquidity coverage ratio will begin in June 2022 and end by July 2023, with measures to lower the foreign currency liquidity coverage ratio to be completely phased out by June 2022.

The Bank's Asset Liability Management Department is responsible for daily liquidity management of the Bank's Won and foreign currency exposure. It reports monthly plans for funding and operations to the Asset Liability Management Committee, which discusses factors such as interest rate movements and maturity structures of the Bank's deposits, loans and securities and establishes strategies with respect to deposit and lending rates.

The following tables show the Bank's liquidity coverage ratio and foreign currency liquidity coverage ratio on an average balance basis for the month of December 2021 in accordance with FSC regulations:

<b>Liquidity coverage ratio:</b>	<b>30 Days or Less</b>
	<b>(in billions of Won, except percentages)</b>
Highly liquid assets (A) . . . . .	₩66,117
Cash outflows (B) . . . . .	89,280
Cash inflows (C) . . . . .	17,839
Total net cash outflows (D = B-C) . . . . .	71,441
Liquidity coverage ratio (A/D) . . . . .	92.55%
Minimum limit . . . . .	85%

<b>Foreign currency liquidity coverage ratio:</b>	<b>30 Days or Less</b>
	<b>(in millions of US\$, except percentages)</b>
Highly liquid assets (A) . . . . .	US\$4,496
Cash outflows (B) . . . . .	12,371
Cash inflows (C) . . . . .	8,212
Total net cash outflows (D = B-C) . . . . .	4,160
Liquidity coverage ratio (A/D) . . . . .	108.09%
Minimum limit . . . . .	70%

The Risk Management Department in the Bank's Risk Management Group reports whether the Bank is complying with these limits monthly to the Risk Management Council and quarterly to the Risk Management Committee.

## **OPERATIONAL RISK MANAGEMENT**

### **Overall Status**

There is no complete consensus on the definition of operational risk in the banking industry. The Bank defines operational risk broadly to include all financial and non-financial risks, other than credit risk, market risk, interest rate risk and liquidity risk, that may arise from its operations that could negatively impact its capital, including the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events as defined under Basel II. The Bank's operational risk management objectives include not only satisfying regulatory requirements, but also providing internal support through the growth of a strong risk management culture, reinforcement of internal controls, improvement of work processes and provision of timely feedback to management members and staff throughout the Bank.

The Bank uses an operational risk management framework meeting the Basel II Advanced Measurement Approach, or AMA, under which the Bank:

- calculates its operational risk VaR on a quarterly basis using the "loss distribution approach VaR" and "scenario based VaR" methodology, and monitors operational risk in terms of Key Risk Indicators ("KRI") using tolerance levels for each indicator;
- executes integrated compliance and operational risk Control Self Assessments ("CSAs"), that enhance the effect on internal controls, which the Bank's employees are able to access and use for process improvement;



- collects and analyzes internal and external loss data;
- conducts scenario analyzes to evaluate exposure to high-severity events;
- manages certain insurance-related activities relating to insurance strategies established to mitigate operational risk;
- examines operational risks arising in connection with the development of, changes in or discontinuance of products, policies or systems;
- uses a detailed business continuity plan covering all of its operations and locations to prepare against unexpected events, including an alternate back-up site for use in disaster events as well as annual full-scale testing of such site;
- refines bank-wide operational risk policies and procedures;
- provides appropriate training and support to business line operational risk managers; and
- reports overall operational risk status to the Bank's senior management.

While the Bank's Risk Management Department advises relevant business units with respect to the review of and suggested improvements on related operational processes and procedures, each of the Bank's relevant business units has primary responsibility for the management of its own operational risk. In addition, the Operational Risk Unit, which is part of the Bank's Risk Management Department, monitors bank-wide operational risk. The Bank also has business line operational risk managers in all of its subsidiaries, departments and branches who periodically conduct CSAs and monitor KRIs. For example, the Bank has developed KRIs relating to customer data protection, which are applied and monitored at all domestic branches and offices. In addition, in order to strengthen risk management of its overseas operations, the Bank designates expert auditors for overseas branches and conducts internal audits designed especially to check key risks identified for each overseas branch. The Bank has also established a risk CSA system for overseas branches, pursuant to which all employees (including locally hired staff) of such branches are required to perform a risk CSA on a quarterly basis. Furthermore, the Bank regularly monitors operational risks related to new businesses as well as existing operating processes and seeks to develop appropriate new KRIs and risk CSA measures on an ongoing basis. Through such method, the Bank is able to ensure proper monitoring and measurement of operational risk in each of its business groups and overseas operations.

## **Internal Control**

To monitor and control operational risks, the Bank maintains a system of comprehensive policies and has put in place a control framework designed to provide a stable and well-managed operational environment throughout its organization. The Bank has in place regular staff rotation and a prescribed leave policy for employees in certain high-risk categories to safeguard against fraud and to check for weaknesses in internal controls. In addition, the Bank maintains an external whistleblower "ombudsman" channel to encourage whistleblowing and voluntary reporting of fraudulent behavior.

The Bank establishes its internal control system in accordance with the group-level internal control principles established by KB Financial Group. The Bank reviews its operations and its level of compliance with internal control systems and business processes on a periodic basis and, as part of this process, the Bank is required to report any problems discovered and any remedial actions taken to KB Financial Group's chief compliance officer.

The Bank's Audit Department is the execution body for the Bank's Audit Committee and supports the Bank's management objectives by auditing the operations of its branches using a risk analysis system and reviewing the operations of its headquarters and subsidiaries through the use of "risk-based audit" in accordance with the "business measurement process" audit methodology, which requires that the Bank's Audit Department evaluate the risk and process of its business units and concentrate their audit capacity with respect to high risk areas. As a result of recent regulatory trends, the Bank's Audit Department is continuing its efforts to establish an advanced audit system and value-added internal audit by introducing risk-based audit techniques.

The FSS periodically conducts a general examination of the Bank's operations. The FSS also performs specific audits on particular aspects of the Bank's operations, such as risk management, investor protection, credit monitoring and liquidity, as the need arises. In January, February, July and December 2019 and February 2021, the FSS issued warnings, as well as imposed administrative fines of various amounts, on the Bank for alleged deficiencies in its operations, and the Bank has since improved upon the main areas in which it was subject to such actions. Most recently, in June 2021, the FSS conducted a comprehensive annual inspection of the Bank's overall operations, the result of which has not been announced as of the date of this Offering Circular.

### **Legal Risk**

The Bank considers legal risk as a part of its operational risk. The uncertainty of the enforceability of the obligations of its customers and counterparties creates legal risk. Changes in laws and regulations could also adversely affect the Bank. Legal risk is higher in new areas of business where the law is often untested in the courts, although legal risk can also increase in the Bank's traditional business to the extent that the legal and regulatory landscape in Korea is changing and many new laws and regulations governing the banking industry remain untested. The Bank's Compliance Supporting Department seeks to minimize legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting legal advisers.

### **IT System Operational Risk**

The integrity of the Bank's IT systems, and its ability to withstand potential catastrophic events, is crucial to the Bank's continuing operations. Accordingly, the Bank is continuing to strengthen its disaster recovery capabilities. In order to minimize operational risks relating to its IT systems, the Bank has implemented a multi-CPU system that runs multiple CPUs simultaneously on-site and ensures system continuity in case any of the CPUs fail. This system backs up the Bank's data systems at an off-site location on a real-time basis to ensure that its operations can be carried out normally and without material interruption in the event of CPU failure. Also, in order to protect the Bank's Internet banking services from system failures and cyber attacks, the Bank processes its Internet transactions through three separate data processing centers.

The Bank currently tests its disaster recovery systems on a quarterly basis, with the comprehensive testing covering branches and the main IT center's disaster recovery system. In addition, the Bank monitors and reports on any unusual delays or irregularities reported by the Bank's branches. Moreover, the Bank's Information Security Department is responsible for the daily monitoring of the Bank's entire information security system. Furthermore, the Bank has established technical as well as management-related standards governing information protection under which it operates its business.

The Bank has taken steps to establish a comprehensive security system aimed at detecting and responding to internal and external threats to its IT system and has implemented network segregation on the computers of all employees so that Intranet and Extranet functions are segregated. The Bank has endeavoured to enhance protection of customer data by using personal identification numbers internally generated and managed by the Bank in all customer financial transaction, in lieu of the resident registration numbers of its customers, and by amending forms and templates to minimize collection of potentially sensitive customer data. The Bank's chief information security officer is responsible for ensuring protection of information assets and technologies and reducing IT risks.

In 2009, the Bank obtained ISO 27001 certification, which relates to information security. In 2011, the Bank also obtained ISO 20000 certification, which relates to IT service management, and BS 25999 certification, which relates to business continuity management. The Bank is the first Korean bank to have obtained all three such international certifications. In addition, in 2013 and 2020, the Bank obtained ISMS certification, which relates to information security management.

The Bank implements various year-round education programs and training sessions designed to raise the information security awareness of both management and employees.

## MANAGEMENT OF THE BANK

### DIRECTORS AND SENIOR MANAGEMENT

The Bank's board of directors has ultimate responsibility for the management of the Bank's affairs. The Bank's Articles of Incorporation provide for a board of no more than 30 directors, of which three or more must be non-executive directors and non-executive directors must comprise more than half of the board of directors. The Bank currently has three executive directors and five non-executive directors. The Bank elects its directors at a general meeting of shareholders by a majority vote of those present or represented at such meeting as long as the affirmative votes represent at least a quarter of the Bank's total issued and outstanding shares with voting rights.

The term of office for each of the Bank's executive directors is one or two years and for each of the Bank's non-executive directors is two years for the initial term and one year for any subsequent term, provided that, if a director's term of office expires after the end of a fiscal year but before the convening of the general shareholders' meeting concerning the said fiscal year, his/her term of office shall be extended until the end of the general shareholders' meeting. The Bank's directors may serve consecutive terms (with the term of office for non-executive directors limited to five consecutive years) and are subject to the Korean Commercial Code, the Act on Corporate Governance of Financial Companies and related regulations.

In respect of the members of the Bank's board of directors and senior management, there are no potential conflicts between their duties to the Bank and their other duties or private interests. The business address of all of the directors is the Bank's registered office at 26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul 07331, Korea.

#### Executive Directors

The table below sets forth the names, years of birth and positions of the Bank's executive directors as of the date of this Offering Circular.

Name	Year of Birth	Position	Start of Term	End of Term
Jae Keun Lee . . . .	1966	President and CEO	January 1, 2022	December 31, 2023
Yeong Ki Kim. . . .	1963	Chief Audit Executive	January 1, 2022	December 31, 2023
Woon Tae Kim . . .	1963	Senior Executive Vice President; Sales Group	January 1, 2022	December 31, 2023

#### Non-executive Directors

The non-executive directors are outside directors elected from among those persons who do not have a special relationship with the Bank that would interfere with the exercise of their independent judgment. The Bank's non-executive directors are selected based on the candidates' talents and skills in diverse areas, such as law, finance, economics, management and accounting. The table below sets forth the names, years of birth and positions of the Bank's non-executive directors as of the date of this Offering Circular.

Name	Year of Birth	Position	Start of Term	End of Term
Seung Tae Lim . . .	1955	Non-executive Director	March 22, 2018	March 23, 2023
Gang Hyeon An . .	1960	Non-executive Director	March 21, 2019	March 23, 2023
Yong Keun Yoo. . .	1969	Non-executive Director	March 19, 2020	March 23, 2023
Tae-Jong Seo . . . .	1964	Non-executive Director	March 25, 2021	March 24, 2023
Sue Bok Moon . . .	1965	Non-executive Director	March 24, 2022	March 23, 2024

## Executive Officers

The table below sets forth the names, years of birth and positions of the Bank's executive officers (other than its executive directors) as of the date of this Offering Circular.

Name	Year of Birth	Position
Chai Hyun Sung . . . . .	1965	Senior Executive Vice President; Retail Customer Group
Sang Hyeon Woo . . . . .	1964	Senior Executive Vice President; Corporate Investment Banking Customer Group
Jeong Ha . . . . .	1967	Senior Executive Vice President; Capital Markets Group
Jin Soo Yoon . . . . .	1964	Senior Executive Vice President; Tech Group
Jae Kwan Kim . . . . .	1968	Senior Managing Director; Strategy & Finance Planning Group
Mun Cheol Jeong . . . . .	1968	Senior Managing Director; SME/SOHO Customer Group
Jae Young Choi . . . . .	1967	Senior Managing Director; Wealth Management Customer Group
Dong Rok Kim . . . . .	1964	Senior Managing Director; Public Institution Customer Group
Sung Pyo Jeon . . . . .	1966	Senior Managing Director; Smart Customer Group
Nam Hoon Cho . . . . .	1968	Senior Managing Director; Global Business Group
Young Jig Lee . . . . .	1965	Senior Managing Director; Credit Management/Analysis Group
Cheal Soo Choi . . . . .	1966	Senior Managing Director; Risk Management Group
Sung Ki Kwon . . . . .	1966	Senior Managing Director; Shared Service Group
Chan Yong Park . . . . .	1965	Senior Managing Director; Planning & Coordination Department
Soon Bae Kang . . . . .	1964	Senior Managing Director; Structured Finance Division
Ki Eun Park . . . . .	1970	Senior Managing Director; Tech Innovation Division
Seok Mun Choi . . . . .	1968	Senior Managing Director; Employee Relationship Management Division
Seung Jong Lee . . . . .	1966	Senior Managing Director; Customer Protection Division
Young Suh Cho . . . . .	1971	Senior Managing Director; DT Strategy Division
Ki Ho Byeon . . . . .	1964	Senior Managing Director; My Data Division
Chul Ki Kim . . . . .	1964	Managing Director; AI Asset Management Center
Jin Young Kim . . . . .	1969	Managing Director; Brand Strategy Group
Young Eun Moon . . . . .	1965	Managing Director; Information Security Division
Sang Hwa Lee . . . . .	1969	Managing Director; Investment Product Division
Yoo Shim Hur . . . . .	1973	Managing Director; Digital Content Center
Yeon Soo Jang . . . . .	1966	Managing Director; Liiv Mobile Division
Jeong Ho Cho . . . . .	1964	Managing Director; Chief Compliance Officer

## **Compensation**

The aggregate remuneration paid and benefits in kind granted by the Bank to its president and chief executive officer, its other executive directors, its non-executive directors and its executive officers for the year ended December 31, 2021 was ₩19,625 million. In addition, for the year ended December 31, 2021, the Bank set aside ₩489 million for allowances for severance and retirement benefits for the Bank's president and chief executive officer, the other executive directors and the Bank's executive officers.

## **Committees of the Board of Directors**

The Bank currently has the following committees that serve under the board:

- (a) the Audit Committee;
- (b) the Risk Management Committee;
- (c) the Evaluation & Compensation Committee;
- (d) the Non-executive Director Nominating Committee;
- (e) the Audit Committee Members Nominating Committee; and
- (f) the President Nominating Committee.

Each committee member is appointed by the board of directors, except for members of the Audit Committee, who are elected at the general meeting of shareholders.

## **Audit Committee**

The Audit Committee currently consists of two non-executive directors, Gang Hyeon An and Yong Keun Yoo, and one executive director, Yeong Ki Kim. The chairperson of the Audit Committee is Gang Hyeon An. The Audit Committee oversees the Bank's financial reporting and approves the appointment of the Bank's independent accountants. The committee also reviews the Bank's financial information, auditor's examinations, key financial statement issues, the plans and evaluation of internal control and the administration of the Bank's financial affairs by the board of directors. In connection with the general meetings of shareholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors to each general meeting of shareholders. The committee holds regular meetings every quarter.

## **Risk Management Committee**

The Risk Management Committee currently consists of three non-executive directors, Yong Keun Yoo, Seung Tae Lim and Tae-Jong Seo. The chairperson of the Risk Management Committee is Yong Keun Yoo. The Risk Management Committee oversees and makes determinations on all issues relating to the Bank's comprehensive risk management function. In order to ensure the Bank's stable financial condition and to maximize the Bank's profits, the committee monitors the Bank's overall risk exposure and reviews the Bank's compliance with risk policies and risk limits. In addition, the committee reviews risk and control strategies and policies, evaluates whether each risk is at an adequate level, establishes or abolishes risk management divisions and reviews risk-based capital allocations. The committee holds regular meetings every quarter. See "*Risk Management of the Bank.*"

### **Evaluation & Compensation Committee**

The Evaluation & Compensation Committee currently consists of three non-executive directors, Tae-Jong Seo, Gang Hyeon An and Sue Bok Moon. The chairperson of the Evaluation & Compensation Committee is Tae-Jong Seo. The Evaluation & Compensation Committee reviews compensation schemes and compensation levels and is also responsible for evaluating management's performance.

### **Non-executive Director Nominating Committee**

The committee currently consists of five non-executive directors, Sue Bok Moon, Seung Tae Lim, Gang Hyeon An, Tae-Jong Seo and Yong Keun Yoo. The chairperson of the Non-executive Director Nominating Committee is Sue Bok Moon. The committee oversees the selection of non-executive director candidates and recommends them annually sometime prior to the general stockholders meeting. The term of office of its members is from the first meeting of the committee held to nominate the non-executive directors until the nominated non-executive directors are appointed.

### **Audit Committee Members Nominating Committee**

The committee currently consists of five non-executive directors, Seung Tae Lim, Tae-Jong Seo, Gang Hyeon An, Yong Keun Yoo and Sue Bok Moon. The committee oversees the selection of Audit Committee member candidates and recommends them annually sometime prior to the general stockholders meeting. The term of office of its members is from the first meeting of the committee held to nominate the Audit Committee members until the Audit Committee members are appointed.

### **President Nominating Committee**

The committee currently consists of five non-executive directors, Seung Tae Lim, Tae-Jong Seo, Gang Hyeon An, Yong Keun Yoo and Sue Bok Moon. The committee oversees the selection of candidates for the Bank's President and recommends them sometime prior to a general stockholders meeting at which the President is to be elected. The term of office of its members is from the first meeting of the committee held to nominate the President until the President is appointed.



# **REGULATION AND SUPERVISION OF THE BANK**

## **LEGAL AND REGULATORY FRAMEWORK IN KOREA**

### **Overview**

The banking system in Korea is governed by the Bank Act and the Bank of Korea Act of 1950, as amended (the “Bank of Korea Act”). In addition, Korean banks are subject to the regulations and supervision of the BOK, the MPB, the FSC and its executive body, the FSS.

The BOK, established in June 1950 under the Bank of Korea Act, performs the customary functions of a central bank. It seeks to contribute to the sound development of the national economy by price stabilization through establishing and implementing efficient monetary and credit policies with a focus on financial stability. The BOK acts under instructions of the MPB, the supreme policy-making body of the BOK.

Under the Bank of Korea Act, the MPB’s primary responsibilities are to formulate monetary and credit policies and to determine the operations, management and administration of the BOK.

The FSC, established in April 1998, regulates commercial banks pursuant to the Bank Act, including establishing guidelines on capital adequacy of commercial banks, and promulgates regulations relating to supervision of banks. Furthermore, the FSC regulates market entry into the banking business.

The FSS, established in January 1999, is subject to the instructions and directives of the FSC and carries out supervision and examination of commercial banks. In particular, the FSS sets requirements both for the prudent control of liquidity and for capital adequacy and establishes reporting requirements pursuant to the authority delegated to it under the FSC regulations, pursuant to which banks are required to submit annual reports on financial performance and shareholdings, regular reports on management strategy and non-performing loans, including write-offs, and management of problem companies and plans for the settlement of bad loans.

Under the Bank Act, approval to commence a commercial banking business or a long-term financing business must be obtained from the FSC. Commercial banking business is defined as the lending of funds acquired predominantly from the acceptance of demand deposits for a period not exceeding one year or subject to the limitation established by the FSC, for a period between one year and three years. Long-term financing business is defined as the lending, for periods in excess of one year, of funds acquired predominantly from paid-in capital, reserves or other retained earnings, the acceptance of time deposits with maturities of at least one year, or the issuance of debentures or other bonds. A bank wishing to enter into any business other than commercial banking and long-term financing businesses must file a report to the FSC. For businesses that are subject to a license or approval requirement under applicable laws, such as approval to commence a trust business under the FSCMA, such report must be filed concurrently with a relevant license or approval application to the FSC. In addition, approval to merge with any other banking institution, to liquidate, spin off or close a banking business or to transfer all or a part of a business must be obtained from the FSC.

If the FSC deems a bank’s financial condition to be unsound or if a bank fails to meet the applicable capital adequacy ratio set forth under Korean law, the FSC may order:

- admonitions or warnings with respect to the bank or its officers;
- capital increases or reductions;

- assignments of contractual rights and obligations relating to financial transactions;
- a suspension of performance by its officers of their duties and the appointment of receivers;
- disposals of property holdings or closures of subsidiaries or branch offices or downsizing;
- stock cancellations or consolidations;
- mergers with other financial institutions;
- acquisition of such bank by a third party; and
- suspensions of a part or all of its business operations for not more than six months.

## **CAPITAL ADEQUACY**

The Bank Act requires nationwide banks, such as the Bank, to maintain a minimum paid-in capital of ₩100 billion and regional banks to maintain a minimum paid-in capital of ₩25 billion. All banks, including foreign bank branches in Korea, are also required to maintain a prescribed solvency position. A bank must also set aside in its legal reserve an amount equal to at least 10% of the net income after tax each time it pays dividends on net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital.

Under the Regulation on the Supervision of the Banking Business, the capital of a bank is divided into two categories, Tier I and Tier II capital. Tier I capital (core capital) consists of (i) common equity Tier I capital, including paid-in capital, capital surplus and retained earnings related to common equity and accumulated other comprehensive gains and losses, and (ii) additional Tier I capital, including paid-in capital and capital surplus from the issuance of additional Tier I capital, hybrid capital instruments and other capital securities which meet the standards prescribed by the governor of the FSS under Article 26(2) of the Regulation on Supervision of the Banking Business. Tier II capital (supplementary capital) consists of, among other things, capital and capital surplus from the issuance of Tier II capital, allowances for loan losses on loans classified as “normal” or “precautionary,” subordinated debt and other capital securities which meet the standards prescribed by the governor of the FSS under Article 26(2) of the Regulation on Supervision of the Banking Business.

All banks must meet minimum ratios of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets, determined in accordance with FSC requirements that have been formulated based on Bank for International Settlements standards. These requirements were adopted and became effective in 1996, and were amended effective January 1, 2008 upon the implementation by the FSC of Basel II. Under such requirements, all domestic banks and foreign bank branches are required to meet a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets. Commencing in July 2013, the FSC promulgated a series of amended regulations implementing Basel III, pursuant to which Korean banks and bank holding companies were required to maintain a minimum ratio of common equity Tier I capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. The amended regulations also require an additional capital conservation buffer of 2.5% from January 2019, as well as a potential counter-cyclical capital buffer of up to 2.5%, which is determined on a quarterly basis by the FSC. Furthermore, the Bank was designated as one of the domestic systemically important banks for 2021 by the FSC and was subject to an additional capital requirement of 1.0% in 2021. In July 2021, the Bank

was again designated as a domestic systemically important bank for 2022, which would again subject the Bank to the same additional capital requirement of 1.0% in 2022. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets.

Under the Detailed Regulation on the Supervision of the Banking Business, the following risk-weight ratios must be applied by Korean banks in respect of home mortgage loans:

- for those banks which adopted a standardized approach for calculating credit risk capital requirements, a risk-weight ratio of 35% (only where the loan is fully secured by a first ranking mortgage) and, with respect to high-risk home mortgage loans, the higher of this value and 50% or 70%; and
- for those banks which adopted an internal ratings-based approach for calculating credit risk capital requirements, a risk-weight ratio calculated with reference to the probability of default, loss given default and exposure at default, each as defined under the Detailed Regulation on the Supervision of the Banking Business.

## **LIQUIDITY**

All banks are required to ensure adequate liquidity by matching the maturities of their assets and liabilities in accordance with the Regulation on Supervision of the Banking Business. Banks may not invest an amount exceeding 100% of their Tier I and Tier II capital (less any capital deductions) in equity securities and certain other securities with a redemption period of over three years. This stipulation does not apply to Government bonds, Monetary Stabilization Bonds issued by the BOK or debentures and stocks referred to in items 1 and 2, respectively, of paragraph (6) of Article 11 of the Act on the Structural Improvement of the Financial Industry. The FSC uses the liquidity coverage ratio (described below) as the principal liquidity risk management measure, and currently requires each Korean bank to:

- maintain a liquidity coverage ratio (defined as the ratio of highly liquid assets to total net cash outflows over a 30-day period) of not less than 100%;
- maintain a foreign currency liquidity coverage ratio of not less than 80%; and
- submit monthly reports with respect to the maintenance of these ratios.

In April 2020, in order to encourage financial institutions to provide financial support to companies adversely affected by COVID-19, the FSC announced that it would temporarily lower the required liquidity coverage ratio to 85%, and the required foreign currency liquidity coverage ratio to 70%. Following a series of extensions, the FSC announced in March 2022 that a phase-out of measures to lower the liquidity coverage ratio will begin in June 2022 and end by July 2023, with measures to lower the foreign currency liquidity coverage ratio to be completely phased out by June 2022.

The MPB of the BOK is empowered to fix and alter minimum reserve requirements that banks must maintain against their deposit liabilities. The current minimum reserve ratios are:

- 7% of average balances for Won currency demand deposits outstanding;

- 0% of average balances for Won currency employee asset establishment savings deposits, employee long-term savings deposits, employee house purchase savings deposits, long-term house purchase savings deposits, household long-term savings deposits and employee preferential savings deposits outstanding (with respect to employee-related deposits and household long-term savings deposits and household long-term savings deposits, only if such deposits were made prior to February 28, 2013); and
- 2% of average balances for Won currency time deposits, instalment savings deposits, mutual instalments, housing instalments and certificates of deposit outstanding.

For foreign currency deposit liabilities, a 2% minimum reserve ratio is applied to time deposits with a maturity of one month or longer, certificates of deposit with a maturity of 30 days or longer and savings deposits with a maturity of six months or longer and a 7% minimum reserve ratio is applied to other deposits. A 1% minimum reserve ratio applies to deposits in offshore accounts, immigrant accounts and resident accounts opened by financial institutions (excluding bank holding companies) and the Export-Import Bank of Korea, as well as foreign currency certificates of deposit held by account holders of such offshore accounts, immigrant accounts and resident accounts opened by financial institutions (excluding bank holding companies) and the Export-Import Bank of Korea.

Furthermore, under the Regulation on Supervision of the Banking Business, the Bank is required to maintain a minimum “mid- to long-term foreign exchange funding ratio” of 100% “Mid- to long- term foreign exchange funding ratio” refers to the ratio of (1) the total outstanding amount of foreign exchange borrowing with a maturity of more than one year to (2) the total outstanding amount of foreign exchange lending with a maturity of one year or more.

## **NET STABLE FUNDING RATIO AND LEVERAGE RATIO REQUIREMENTS**

The FSC implemented the Regulation on Supervision of the Banking Business that impose certain liquidity- and leverage-related ratio requirements on banks in Korea, in accordance with Basel III. Pursuant to such Regulation, each Korean bank is required to:

- maintain a net stable funding ratio (defined as the ratio of the available amount of stable funding to the required amount of stable funding) of not less than 100%, where (i) the available amount of stable funding generally refers to the portion of liabilities and capital expected to be reliable over a one-year time horizon and (ii) the required amount of stable funding generally refers to the amount of stable funding that is required to be maintained based on the liquidity characteristics, residual maturities and off-balance sheet exposures of the bank’s assets, each as calculated in accordance with the Detailed Regulation on the Supervision of the Banking Business;
- maintain a leverage ratio (defined as the ratio of core capital to total exposures) of not less than 3%, where (i) the core capital includes paid-in capital, capital surplus, retained earnings and hybrid Tier I capital instruments and (ii) total exposures include on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet exposures, each as calculated in accordance with the Detailed Regulation on the Supervision of the Banking Business; and
- submit monthly reports with respect to the maintenance of these ratios.

## **FINANCIAL EXPOSURE TO ANY INDIVIDUAL CUSTOMER OR MAJOR SHAREHOLDER**

Under the Bank Act, subject to certain exceptions, the sum of large exposures by a bank – in other words, the total sum of its credits to single individuals, juridical persons or business groups that exceed 10% of the sum of Tier I and Tier II capital (less any capital deductions) – generally must not exceed five times the sum of Tier I and Tier II capital (less any capital deductions). In addition, subject to certain exceptions, banks generally may not extend credit (including loans, guarantees, purchases of securities (extended for financial support) and any other transactions that directly or indirectly create credit risk) in excess of 20% of the sum of Tier I and Tier II capital (less any capital deductions) to a single individual or juridical person, or grant credit in excess of 25% of the sum of Tier I and Tier II capital (less any capital deductions) to a single group of companies as defined in the Monopoly Regulations and Fair Trade Act.

The Bank Act also provides for certain restrictions on extending credits to a major shareholder. A “major shareholder” is defined as:

- a shareholder holding (together with persons who have a special relationship with that shareholder) in excess of 10%; (or 15% in the case of regional banks) in the aggregate of the bank’s total issued and outstanding voting shares; or
- a shareholder holding (together with persons who have a special relationship with such shareholder) in excess of 4% in the aggregate of the bank’s (excluding regional banks) total issued and outstanding voting shares of a bank (excluding shares subject to the shareholding restrictions on “non-financial business group companies” as described below), where such shareholder is the largest shareholder or has actual control over the major business affairs of the bank through, for example, appointment and dismissal of the officers as prescribed by the Enforcement Decree of the Bank Act. Non-financial business group companies primarily consist of: (i) any single shareholding group whose non-financial company assets comprise no less than 25% of its aggregate net assets; (ii) any single shareholding group whose non-financial company assets comprise no less than ₩2 trillion in aggregate; or (iii) any investment company under the FSCMA of which any single shareholding group identified in (i) or (ii) above, owns more than 4% of the total issued and outstanding shares.

Under these restrictions, banks may not extend credits to a major shareholder (together with persons who have a special relationship with that shareholder) in an amount greater than the lesser of (x) 25% of the sum of the bank’s Tier I and Tier II capital (less any capital deductions) and (y) the relevant major shareholder’s shareholding ratio multiplied by the sum of the bank’s Tier I and Tier II capital (less any capital deductions). In addition, the total sum of credits granted to all major shareholders must not exceed 25% of the bank’s Tier I and Tier II capital (less any capital deductions).

## **INTEREST RATES**

Korean banks generally depend on deposits as their primary funding source. Under the Act on Registration of Credit Business, Etc. and Protection of Finance Users and the regulations thereunder, interest rates on loans made by registered banks in Korea may not exceed 20% per annum, commencing July 2021. Historically, interest rates on deposits and lending were regulated by the MPB. There are no controls on deposit interest rates in Korea, except for the prohibition on interest payments on current account deposits.

## **LENDING TO SMES**

In order to obtain funding from the BOK at concessionary rates for their SME loans, banks are required to allocate a certain minimum percentage of any quarterly increase in their Won currency lending to SMEs. Currently, this minimum percentage is 45% in the case of nationwide banks and 60% in the case of regional banks. If a bank does not comply with this requirement, the BOK may:

- require the bank to prepay all or a portion of funds provided to that bank in support of loans to SMEs; or
- lower the bank's credit limit.

## **DISCLOSURE OF MANAGEMENT PERFORMANCE**

For the purpose of protecting depositors and investors in commercial banks, the FSC requires commercial banks to publicly disclose certain material matters, including:

- the financial condition and profit and loss of the bank and its subsidiaries;
- fundraising by the bank and the appropriation of such funds;
- any sanctions levied on the bank under the Bank Act or any corrective measures or sanctions under the Act on the Structural Improvement of the Financial Industry; and
- the occurrence of any of the following events, or any other event as prescribed by the applicable regulations, that have damaged or are likely to damage the soundness of the bank's management, except as may otherwise have been disclosed by a bank or its financial holding company listed on the KRX KOSPI Market in accordance with the FSCMA:
  - (i) loans bearing no profit made to a single business group in an amount exceeding 10% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month (where the loan exposure to that borrower is calculated pursuant to the criteria under the Detailed Regulation on the Supervision of the Banking Business), unless the loan exposure to that group is not more than ₩4 billion; and
  - (ii) any loss due to court judgments or similar decisions in civil proceedings in an amount exceeding 1% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month, unless the loss is not more than ₩1 billion.

## **RESTRICTIONS ON LENDING**

Pursuant to the Bank Act and its sub-regulations, a commercial bank may not provide:

- loans secured by a pledge of the bank's own shares, whether direct or indirect;
- loans to enable a natural or juridical person to buy the shares issued by the bank, whether direct or indirect;

- loans to any of the bank's officers or employees, other than *de minimis* loans of up to (i) ₩20 million in the case of a general loan, (ii) ₩50 million in the case of a general loan plus a housing loan or (iii) ₩60 million in the aggregate for general loans, housing loans and loans to pay damages arising from wrongful acts of employees in financial transactions;
- credit (including loans) secured by a pledge of the equity securities of its subsidiary corporation or to enable a natural or juridical person to buy shares of its subsidiary corporation; or
- loans to any officers or employees of its subsidiary corporation, other than general loans of up to ₩20 million or general and housing loans of up to ₩50 million in the aggregate.

## **REGULATIONS RELATING TO RETAIL HOUSEHOLD LOANS**

The FSC has implemented a number of changes in recent years to the regulations relating to retail household lending by banks. Under the currently applicable regulations:

- as to loans secured by housing (including apartments) located nationwide, the loan-to-value ratio (the aggregate principal amount of loans secured by such collateral over the appraised value of the collateral) should not exceed 70%;
- as to loans secured by housing (including apartments) located in areas of excessive investment or high speculation, in each case, as designated by the Government, where the price does not exceed ₩900 million (based on the evaluation data of a certified rating institution, for which the detailed standards shall be as determined by the director of the FSS), the loan to value ratio should not exceed 40%, except that such maximum loan-to-value ratio shall be 50% for low-income households that (i) have an annual income of less than ₩80 million (or ₩90 million for first-home buyers), (ii) do not currently own any housing and (iii) are using the loan to purchase low-price housing valued at less than ₩600 million;
- as to any new loans secured by high-priced housing (including apartments) located in areas of excessive investment or high speculation, in each case, as designated by the Government, where the price exceeds ₩900 million (based on the evaluation data of a certified rating institution, for which the detailed standards shall be as determined by the director of the FSS), the loan-to-value ratio should not exceed 40% for the portion of such housing price not exceeding ₩900 million, and should not exceed 20% for the rest of the portion of such housing price exceeding ₩900 million, and no new loans shall be made available for any high-priced housing (including apartments) located in areas of excessive investment or high speculation, where the price exceeds ₩1.5 billion;
- as to any new loans secured by housing (including apartments) located nationwide to be extended to a household that already owns one or more houses, the maximum loan-to-value ratio must be adjusted to 10% lower than the applicable loan-to-value ratio described above;
- any new loans secured by housing (including apartments) located in areas of excessive investment or high speculation, in each case, as designated by the Government, extended to a household that already owns one or more houses are not permitted unless otherwise specified by the applicable regulations;



- as to loans secured by housing (including apartments) located in areas of excessive investment or high speculation, in each case, as designated by the Government, the borrower's debt-to-income ratio (calculated as (1) the aggregate annual total payment amount of (x) the principal of and interest on loans secured by such housing and existing mortgage and home equity loans and (y) the interest on other debts of the borrower over (2) the borrower's annual income) should not exceed 40%, except that such maximum debt-to-income ratio is 50% for low-income households that (i) have an annual income of less than ₩80 million (or ₩90 million for first-home buyers), (ii) do not currently own any housing and (iii) are using the loan to purchase low-price housing valued at less than ₩600 million;
- as to any new loans secured by apartments to be extended to a household that already owns one or more houses but plans to purchase additional houses located in an unregulated Seoul metropolitan area, the maximum debt-to-income ratio must be adjusted to 10% lower than the applicable debt-to-income ratio described above; and
- as to any new loans extended to a household that has already obtained a loan secured by high priced housing (including apartments) located in areas of excessive investment or high speculation, as designated by the Government, the borrower's debt-service-ratio (calculated as (1) the aggregate annual total payment amount of the principal of and interest on financial liabilities, including the loans secured by such high-priced housing, divided by (2) the borrower's annual income) should not exceed 40% unless otherwise specified by the applicable regulations.

## **RESTRICTIONS ON INVESTMENT IN PROPERTY**

A bank may not invest in the following securities in excess of 100% of the sum of the bank's Tier I and Tier II capital (less any capital deductions):

- debt securities (within the meaning of paragraph (3) of Article 4 of the FSCMA) the maturity of which exceeds three years, but excluding Government bonds, Monetary Stabilization Bonds issued by the BOK and bonds within the meaning of item 2, paragraph (6) of Article 11 of the Act on the Structural Improvement of the Financial Industry;
- equity securities, but excluding securities within the meaning of item 1, paragraph (6) of Article 11 of the Act on the Structural Improvement of the Financial Industry;
- derivatives-linked securities (within the meaning of paragraph (7) of Article 4 of the FSCMA) the maturity of which exceeds three years; and
- beneficiary certificates, investment contracts and depositary receipts (within the meaning of paragraph (2) of Article 4 of the FSCMA) the maturity of which exceeds three years.

A bank may possess real estate property only to the extent necessary to conduct its business. The aggregate value of such property may not exceed 60% of the sum of the bank's Tier I and Tier II capital (less any capital deductions). Any property that a bank acquires by exercising its rights as a secured party, or which a bank is prohibited from acquiring under the Bank Act, must be disposed of within three years, unless otherwise specified by the regulations thereunder.

## **RESTRICTIONS ON SHAREHOLDINGS IN OTHER COMPANIES**

Under the Bank Act, a bank may not own more than 15% of the shares outstanding with voting rights of another corporation, except where, among other reasons:

- that corporation engages in a category of financial businesses set forth by the FSC; or
- the acquisition of such shares by the bank is necessary for the corporate restructuring of such corporation and is approved by the FSC.

In the above exceptional cases, the total investment in corporations in which the bank owns more than 15% of the outstanding shares with voting rights may not exceed (i) 20% of the sum of Tier I and Tier II capital (less any capital deductions) or (ii) 30% of the sum of Tier I and Tier II capital (less any capital deductions) where the acquisition satisfies the requirements determined by the FSC.

The Bank Act provides that a bank using its bank accounts and its trust accounts is not permitted to acquire the equity securities issued by the major shareholder of such bank in excess of an amount equal to 1% of the sum of Tier I and Tier II capital (less any capital deductions).

## **RESTRICTIONS ON BANK OWNERSHIP**

Under the Bank Act, a single shareholder and persons who have a special relationship with that shareholder generally may acquire beneficial ownership of no more than 10% of a nationwide bank's total issued and outstanding shares with voting rights and no more than 15% of a regional bank's total issued and outstanding shares with voting rights. The Government, the KDIC and bank holding companies qualifying under the Financial Holding Company Act are not subject to this limit. Pursuant to the Bank Act, non-financial business group companies may not acquire beneficial ownership of shares of a nationwide bank in excess of 4% (or 15% in the case of a regional bank) of that bank's outstanding voting shares, unless they satisfy certain requirements set forth by the Enforcement Decree of the Bank Act, obtain the approval of the FSC and agree not to exercise voting rights in respect of shares in excess of the 4% limit (or the 15% limit in the case of a regional bank), in which case they may acquire beneficial ownership of up to 10% of a nationwide bank's outstanding voting shares. The Bank Act grants an exception for non-financial business group companies which, at the time of the enactment of the amended provisions, held more than 4% of the shares of a bank.

In addition, if a foreign investor, as defined in the Foreign Investment Promotion Act, owns in excess of 4% of a nationwide bank's outstanding voting shares, non-financial business group companies may acquire beneficial ownership of up to 10% (or 15% in the case of a regional bank) of that bank's outstanding voting shares, and in excess of 10% (or 15% in the case of a regional bank), 25% or 33% of that bank's outstanding voting shares with the approval of the FSC in each instance, up to the number of shares owned by the foreign investor. Any other person (whether a Korean national or a foreign investor), with the exception of non-financial business group companies described above, may acquire no more than 10% of a nationwide bank's total voting shares issued and outstanding, unless they obtain approval from the FSC in each instance where the total holding will exceed 10% (or 15% in the case of regional banks), 25% or 33% of the bank's total voting shares issued and outstanding provided that, in addition to the foregoing threshold shareholding ratios, the FSC may, at its discretion, designate a separate and additional threshold shareholding ratio.

## **DEPOSIT INSURANCE SYSTEM**

The Depositor Protection Act provides insurance for certain deposits of banks in Korea through a deposit insurance system. Under the Depositor Protection Act, all banks governed by the Bank Act are required to pay an insurance premium to the KDIC on a quarterly basis and the rate is determined under the Enforcement Decree to the Depositor Protection Act. If the KDIC makes a payment on an insured amount, it will acquire the depositors' claims with respect to that payment amount. The KDIC insures a maximum of ₩50 million per individual for deposits and interest in a single financial institution, regardless of when the deposits were made and the size of the deposits.

## **THE FINANCIAL CONSUMER PROTECTION ACT**

The Financial Consumer Protection Act became effective on March 25, 2021, and certain provisions relating to internal control under such Act have become effective on September 25, 2021. The Financial Consumer Protection Act aims to enhance measures to protect financial consumers and to establish a sound market order in the financial product sales and advisory businesses. The Financial Consumer Protection Act consolidates existing regulations relating to the sale of financial products and consumer protection stipulated in other laws governing the financial sector, such as the FSCMA, the Banking Act and the Insurance Business Act, and applies to the financial industry on a cross-sectoral basis.

### **Application of the Financial Consumer Protection Act**

All financial products that are classified as (i) deposits, (ii) loans, (iii) investment products or (iv) insurance products are subject to the Financial Consumer Protection Act. These four types of products encompass most of the products covered by the Bank Act, the FSCMA and the Insurance Business Act. Financial products offered by credit unions, peer-to-peer (P2P) lending firms and registered credit service providers are also regulated by the Financial Consumer Protection Act.

### **Six Principles Regulating Selling Activities**

The Financial Consumer Protection Act consolidates previously scattered regulations regarding financial business operations into six uniform standards that cover the following: (i) suitability, (ii) appropriateness, (iii) duty to explain, (iv) unfair sales practices, (v) improper solicitation and (vi) advertisements. Among these six principles, suitability, appropriateness and duty to explain apply only to “general financial consumers,” although “professional financial consumers” may elect to be treated as “general financial consumers,” in which case all six principles would apply to them.

### **Internal Control Requirements for Consumer Protection**

The Financial Consumer Protection Act requires sellers of financial products to have adequate internal control standards to protect consumers. The Enforcement Decree to the Financial Consumer Protection Act sets forth details of certain of the internal control standards as follows:

- Establishment of the authority and responsibilities of the decision maker, such as the representative director or a director, in the implementation of internal control measures;
- Development of an organizational structure and designation of personnel responsible for consumer protection matters, including the establishment of a financial consumer protection committee;

- Implementation of (i) inter-departmental consultation procedures for the development and sale of financial products, (ii) processes for internal deliberations and the incorporation of opinions from independent third party advisors, (iii) standards for vetting advertisements, (iv) mandatory training requirements for officers and employees and implementation of qualification requirements, (v) standards for the prevention of conflicts of interest, (vi) proper management of confidential information, and (vii) disclosure obligations when potential harm to consumers arises; and
- Establishment of standards for performance-based compensation of officers and employees in charge of sales of financial products.

### **Right to Withdraw Subscriptions and Right to Terminate Contracts**

Under the Financial Consumer Protection Act, consumers have the right to withdraw subscriptions, allowing them to receive a refund during a statutory cooling-off period following the execution of the relevant subscription agreement. This right generally applies to all types of financial products with the exception of deposits, although in the case of investment products, the right to withdraw applies only to highly complex funds and trusts. Consumers also have the right to terminate a contract if the sellers violate the Financial Consumer Protection Act in relation to the sales process. The right to terminate contracts applies to long-term contracts but such right must be exercised within one year from the time that the customer becomes aware that the financial product was sold in violation of the regulatory requirements.

### **Punitive Penalty Surcharges**

In case of a violation of the principles regarding the duty to explain, unfair sales practices, improper solicitation and advertisements, sellers are subject to a punitive penalty of up to half the “amount that is the purpose of the contract” (which would be the deposit amount in case of deposit products, loan amount in case of loan products, investment amount in case of investment products, and insurance premium in case of insurance products), depending on the severity of the violation of the Financial Consumer Protection Act.

## **RESTRICTIONS ON FOREIGN EXCHANGE POSITION**

Under the Foreign Exchange Transaction Regulation of Korea, each of a bank’s net overpurchased and oversold positions may not exceed 50% of its shareholders’ equity as of the end of the prior month.

## **LAWS AND REGULATIONS GOVERNING OTHER BUSINESS ACTIVITIES**

A bank must register with the Ministry of Economy and Finance to enter the foreign exchange business, which is governed by the Foreign Exchange Transaction Act of Korea. A bank must obtain the permission of the FSC to enter the securities business, which is governed by regulations under the FSCMA. Under these laws, a bank may engage in the foreign exchange business, securities repurchase business, governmental/public bond underwriting business and governmental bond dealing business, among others.

## **TRUST BUSINESS**

A bank must obtain approval from the FSC to engage in trust businesses. The Trust Act and the FSCMA govern the trust activities of banks, and they are subject to various legal and accounting procedures and requirements, including the following:

- under the Trust Act, assets accepted in trust by a bank in Korea must be segregated from other assets in the accounts of that bank; and
- depositors and other general creditors cannot obtain or assert claims against the assets comprising the trust accounts in the event the bank is liquidated or wound-up.

The bank must make a special reserve of 25% or more of fees from each unspecified money trust account for which a bank guarantees the principal amount and a fixed rate of interest until the total reserve for that account equals 5% of the trust amount.

Under the FSCMA, a bank with a trust business license (such as the Bank) is permitted to offer both specified money trust account products and unspecified money trust account products. However, pursuant to guidelines from regulatory authorities that discourage the sale of unspecified money trust account products, sales of such products have generally been suspended.

# **TAXATION**

## **KOREAN TAXATION**

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisors.

The taxation of non-resident individuals and non-resident corporations (“Non-Residents”) depends on whether they have a “permanent establishment” (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

## **TAX ON INTEREST**

Interest on the Notes paid to Non-Residents, being foreign currency denominated bonds issued outside of Korea, is exempt from individual and corporate income tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the “STTCL”).

If the tax exemption under the STTCL referred to above were to cease to be in effect, the rate of income tax or corporation tax applicable to interest on the Notes, for a Non-Resident without a permanent establishment in Korea, would be 14% of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10% of the income or corporation tax (raising the total tax rate to 15.4%).

The tax rates may be reduced by an applicable tax treaty, convention or agreement between Korea and the country of the recipient of the income.

In order to obtain the benefit of a reduced rate available under applicable tax treaties, a Non-Resident holder must submit an application for reduced rate to the party liable for the withholding before the receipt of the relevant interest payment (if there is no change in the contents of such application, it is not required to submit such application again within 3 years thereafter), together with a certificate of the Non-Resident holder’s tax residence issued by a competent authority of the Non-Resident’s resident country. If the Non-Resident holder was unable to receive the benefit of a reduced rate due to his or her failure to timely submit the aforementioned application, the Non-Resident holder may still receive a tax treaty benefit by submitting evidentiary documents to the relevant tax office within 5 years thereafter. If interest is paid to an overseas investment vehicle, the overseas investment vehicle (subject to certain exceptions) must submit a report of overseas investment vehicle and a schedule of beneficial owners. The foregoing matter is discussed in more detail below.

## **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 Notes to other Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents from the transfer of the Notes taking place outside Korea are currently exempt from taxation by virtue of STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance and is denominated in a foreign currency under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable treaty reducing or eliminating tax on capital gains, the applicable rate of tax would be the lower of 11% (including local income tax) of the gross realization proceeds or (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22% (including local income tax) of the realized gain (i.e., the excess of the gross realization proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean tax law to allow offsetting of gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of Notes issued by Korean companies.

The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty and on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the Notes being sold, the purchaser or such withholding agent must withhold an amount equal to 11% (including local income tax) of the gross realization proceeds. The purchaser or withholding agent must pay any withholding tax to the competent Korean tax office no later than the tenth day of the month following the month in which the payment for the purchase of the relevant Notes occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or such withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

## **INHERITANCE TAX AND GIFT TAX**

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was a Korean resident and (b) all property located in Korea that passes on death (irrespective of the residence of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10% to 50%. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, bonds issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and, consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift. Prospective purchasers should consult their personal tax advisors regarding the consequences of the imposition of the Korean inheritance or gift tax.

## **STAMP DUTY AND SECURITIES TRANSACTION TAX**

No stamp, issue or registration duties will be payable in Korea by the Holders in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by the Company. No securities transaction tax will be imposed upon the transfer of the Notes.

## **TAX TREATIES**

At the date of this Offering Circular, Korea has tax treaties with, *inter alia*, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America, under which the rate of withholding tax on interest is reduced, generally to between 10 and 15% (including local income tax), and the tax on capital gains is often eliminated.



A special withholding tax system took effect on July 1, 2006. Under the system, there is a special procedure to apply the Korea-Malaysia tax treaty on certain Korean source income. Payments made to the residents of Labuan, Malaysia will be subject to the default Korean withholding tax rates (generally 15.4% for interest and the lower of 11% of gross realization proceeds or 22% of capital gains (including local income tax)) rather than the reduced or exempted rate available under the Korea Malaysia tax treaty. A Labuan taxpayer, however, will be given an opportunity to obtain a refund by proving that it is entitled to the tax treaty benefits as a beneficial owner of the income and is an actual resident of Labuan, Malaysia. A Labuan taxpayer may also file an application with the National Tax Service (the “NTS”) for confirmation that it is entitled to the tax treaty benefits and obtain an advance confirmation from the NTS prior to receiving Korean source income.

In order for a Non-Resident to obtain the benefit of a tax exemption on certain Korean source incomes, such as interest and capital gains, under an applicable tax treaty, Korean tax law requires such Non-Resident (or its agents) to submit to the payer of such Korean source income an application for tax exemption under a tax treaty along with a certificate of tax residency of such Non-Resident issued by a competent authority of the Non-Resident’s country of tax residence, subject to certain exceptions. The payer of such Korean source income, in turn, is required to submit such application to the relevant district tax office by the ninth day of the month following the date of the first payment of such income. An application for tax exemption submitted by a Non-Resident remains effective for three years from submission, and if any material changes occur with respect to information provided in the application, an application reflecting such change must be newly submitted.

If the Korean source incomes are paid to Non-Residents through an overseas investment vehicle, such investment vehicle must obtain an application for tax exemption from each Non-Resident, who are the beneficial owners of the Korean source income and submit to the payer of such Korean source income an overseas investment vehicle report, together with the applications for tax exemption prepared by the Non-Resident beneficial owners. An overseas investment vehicle means an organization established outside of Korea that manages funds collected through investment solicitation by way of acquiring, disposing of, or otherwise investing in investment targets and distributes the outcome of such management to investors.

However, this requirement does not apply to exemptions under Korean tax law.

At present, Korea has not entered into any tax treaties regarding its inheritance or gift tax.

## **WITHHOLDING AND GROSS UP**

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to STTCL. However, in the event that the payer or the Company is required by law to make any withholding or deduction for or on account of any Korean taxes (as more fully described in “Terms and Conditions of the Notes – Taxation and Gross-Up”) the Company has agreed to pay (subject to the customary exceptions as set out in “Terms and Conditions of the Notes – Taxation and Gross-Up”) such Additional Amounts as may be necessary in order that the net amounts received by the holder of any Note after such withholding or deduction shall equal the respective amounts which would have been received by such holder in the absence of such withholding or deduction.

## **THE PROPOSED FINANCIAL TRANSACTIONS TAX (“FTT”)**

The European Commission 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 very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) 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 Notes 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.

The FTT remains subject to negotiation between participating Member States. 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 Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch International and Mizuho Securities Asia Limited (the “Managers”) have, pursuant to a Subscription Agreement (the “Subscription Agreement”) dated July 25, 2022, agreed to subscribe and pay for, or to procure subscriptions and payment for, the principal amount of the Notes subject to certain conditions contained therein.

The Issuer will also reimburse the Managers in respect of certain of their expenses, and the Issuer and the Guarantor have agreed to indemnify the Managers against certain liabilities (including liabilities under the Securities Act), incurred in connection with the issue and sale of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to the Issuer.

The initial issue price is set forth on the cover of this Offering Circular. After the Notes are released for sale, the Managers may change the issue price and other selling terms. The offering of the Notes by the Managers is subject to receipt and acceptance and subject to the Managers’ right to reject any order in whole or in part.

The Managers and certain of their respective affiliates have, from time to time, performed, and may in the future perform, certain investment banking, commercial banking and advisory services for the Issuer, the Guarantor and/or their respective affiliates for which they have received or will receive customary fees and expenses.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Issuer and the Guarantor.

The Managers or their affiliates may subscribe the Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be subscribers of the Notes).

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

## **SELLING RESTRICTIONS**

### **United States**

The Notes and the Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes and the Guarantee (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes and the Guarantee are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes and the Guarantee, an offer or sale of Notes and the Guarantee within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Hong Kong**

Each Manager has represented and agreed that:

- (a) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Notes other than (a) 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 (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong), other than with respect to Notes which are, or are intended to be, disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **Japan**

The Notes have not been, and will not be, registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **Singapore**

Each Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, each Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (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)(c)(ii) 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 Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) 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**

The Notes have not been and will not be registered under the FSCMA. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined in the Foreign Exchange Transactions Law of Korea and regulation thereunder), or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. In addition, within one year following the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a qualified institutional buyer (or a “Korean QIB”, as defined in the Regulation on Issuance, Public Disclosure, etc. of Securities of Korea) registered with the Korea Financial Investment Association as a Korean QIB, provided that the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes.

## **TRANSFER RESTRICTIONS**

Because of the following restrictions, purchasers are advised to consult with legal counsel prior to making any offer, resale, pledge or other transfers of the Notes.

### **Transfer Restrictions under Korean Law**

Each purchaser of the Notes, by accepting delivery of this Offering Circular, will be deemed to have acknowledged and represented and agreed as follows:

- (a) The Notes have not been registered under the FSCMA. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined in the Foreign Exchange Transactions Law of Korea and regulation thereunder), or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. In addition, within one year following the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than Korean QIB registered with the Korea Financial Investment Association as a Korean QIB, provided that the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes.
- (b) The Notes will bear legends to the effect described in paragraph (a) above.

## **Other Transfer Restrictions Applicable to the Notes**

The Notes and the Guarantee have not been and will not be registered under the Securities Act. The Notes and the Guarantee may not be offered or sold to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Except in certain limited circumstances, interests in the Notes may only be held through interests in the Global Certificates. Such interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear, Clearstream and their respective direct and indirect participants. See “Terms and Conditions of the Notes” and “The Global Certificates.”

Each purchaser of the Notes, by accepting delivery of this Offering Circular, will be deemed to have acknowledged and represented and agreed as follows:

- (a) The Notes and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States or any other jurisdiction and are subject to significant restrictions on transfer.
- (b) Until forty (40) days after the commencement of offering of the Notes, an offer or sale of Notes and the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.
- (c) Such purchaser will not offer, sell, pledge or otherwise transfer any interest in the Notes or the Guarantee except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
- (d) The Notes will bear legends to the following effect, unless the Issuer determines otherwise in compliance with applicable law, and such purchaser will observe the restrictions contained therein:

THE NOTES EVIDENCED HEREBY (THE “NOTES”) OF LOTTE PROPERTY & DEVELOPMENT CO., LTD. (THE “ISSUER”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”).

PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE LATEST CLOSING DATE (THE “DISTRIBUTION COMPLIANCE PERIOD”), THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY U.S. PERSON OUTSIDE THE UNITED STATES OR ANY PERSON IN THE UNITED STATES. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE NOTES EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING AND FOLLOWING RESTRICTIONS.

THE FOREGOING PARAGRAPH WILL BE NO LONGER EFFECTIVE AFTER THE END OF THE DISTRIBUTION COMPLIANCE PERIOD WITH RESPECT TO THE NOTES, AFTER WHICH THE NOTES EVIDENCED HEREBY WILL NO LONGER BE SUBJECT TO THE RESTRICTIONS SET FORTH THEREIN, PROVIDED THAT AT SUCH TIME AND THEREAFTER THE OFFER OR SALE OF THE NOTES EVIDENCED HEREBY WOULD NOT BE RESTRICTED UNDER ANY APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR OF THE STATES OR TERRITORIES OF THE UNITED STATES.



THE NOTES HAVE NOT BEEN REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA (THE “FSCMA”). ACCORDINGLY, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF KOREA AND REGULATION THEREUNDER) OR TO OTHERS FOR RE-OFFERING OR RESALE DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL BUYER (OR A “KOREAN QIB”, AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES.

## **LEGAL MATTERS**

Certain legal matters relating to the issue and sale of the Notes will be passed upon for the Issuer by Lee & Ko as to matters of Korean law, for the Guarantor by Cleary Gottlieb Steen & Hamilton LLP as to matters of New York law and for the Managers by Linklaters LLP as matters of New York law. Lee & Ko may rely as to all matters of New York law on the opinion of Cleary Gottlieb Steen & Hamilton LLP and Linklaters LLP, and Cleary Gottlieb Steen & Hamilton LLP and Linklaters LLP may rely as to all matters of Korean law on the opinion of Lee & Ko.

## **INDEPENDENT ACCOUNTANTS**

The annual financial statements of the Issuer as of and for the years ended December 31, 2021 and 2020 have been audited by KPMG Samjong Accounting Corp., independent accountants, as stated in their audit report included in this Offering Circular.

The annual consolidated financial statements of the Guarantor as of and for the years ended December 31, 2021 and 2020 included in this Offering Circular have been audited by KPMG Samjong Accounting Corp., independent accountants, as stated in their reports, which contains an emphasis of matter paragraph regarding estimation uncertainty due to COVID-19 pandemic, appearing herein. With respect to the unaudited interim consolidated financial statements of the Guarantor as of March 31, 2022 and for the three months ended March 31, 2022 and 2021 included herein, KPMG Samjong Accounting Corp. reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated May 13, 2022, which contains an emphasis of matter paragraph regarding estimation uncertainty due to COVID-19 pandemic, appearing herein states that they did not audit and that they do not express an opinion on such unaudited 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.

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## Independent Auditor's Report

To the Shareholders and Board of Directors of  
Lotte Property & Development Co., Ltd.

### Opinion

We have audited the financial statements of Lotte Property & Development Co, Ltd. ("the Company"), which comprise the statements of financial position as of December 31, 2021 and 2020, the statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

### Basis of Opinion

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Other Matter

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

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
March 16, 2022

This report is effective as of March 16, 2022, 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 financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Lotte Property & Development Co., Ltd.  
Statements of Financial Position

As of December 31, 2021 and 2020

		Korean won (thousands)	
	Notes	December 31, 2021	December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,6,7,8	₩ 311,158,052	₩ 448,176,668
Trade receivables, net	5,6,7,9,38	16,350,877	12,771,184
Financial lease receivables	6,7,15	-	1,594,744
Other receivables	5,6,7,9,38	9,077,321	8,258,405
Short-term financial instruments	5,6,7,10,22	362,539,372	476,411,712
Other current assets	11	43,820,946	14,221,971
Inventories	12	112,775,729	466,052,879
<b>Total current assets</b>		<b>855,722,297</b>	<b>1,427,487,563</b>
<b>Non-current assets</b>			
Long-term trade receivables	5,6,7,9	3,234,601	1,853,223
Non-current financial lease receivables	6,7,15	-	29,197,754
Investments in associates	13	2,890,135,086	2,586,792,131
Long-term financial instruments	5,6,7,10	49,827,152	19,743,772
Other non-current assets	11	6,191,035	4,327,881
Property, plant and equipment, net	14,29	3,803,863,159	2,653,454,730
Right-of-use assets, net	15,29	214,604,201	561,141,746
Intangible assets, net	16,29	9,735,735	6,510,136
Investment property	17,29	725,936,922	551,746,137
Defined benefit assets	23	236,411	-
<b>Total non-current assets</b>		<b>7,703,764,302</b>	<b>6,414,767,510</b>
<b>Total assets</b>		<b>₩ 8,559,486,599</b>	<b>₩ 7,842,255,073</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other payables	5,6,7,18,38	₩ 54,624,100	₩ 37,922,011
Short-term borrowings	5,6,7,21	350,000,000	140,000,000
Current portion of long-term borrowings and bonds	5,6,7,21,38	525,229,116	622,308,932
Other short-term financial liabilities	5,6,7,19,22	94,504,209	57,507,625
Current lease liabilities	5,6,7,15	13,396,877	23,940,076
Other current liabilities	20	73,135,096	32,925,360
Current tax liabilities		167,935,655	9,333,558
<b>Total current liabilities</b>		<b>1,278,825,053</b>	<b>923,937,562</b>
<b>Non-current liabilities</b>			
Long-term borrowings and bonds	5,6,7,21	1,388,597,747	824,326,767
Other long-term financial liabilities	5,6,7,19,22	190,096,904	229,971,789
Non-current lease liabilities	5,6,7,15	207,401,452	583,401,291
Other non-current liabilities	20	34,569,306	42,401,788
Defined benefit liabilities	23	-	181,950
Long-term employee benefits liabilities	24	609,933	506,352
Deferred tax liabilities	25	1,156,969,738	1,089,359,938
<b>Total non-current liabilities</b>		<b>2,978,245,080</b>	<b>2,770,149,875</b>
<b>Total liabilities</b>		<b>₩ 4,257,070,133</b>	<b>₩ 3,694,087,437</b>

See accompanying notes to the financial statements.



Lotte Property & Development Co., Ltd.  
Statements of Financial Position, (continued)

As of December 31, 2021 and 2020

		Korean won (thousands)	
	Note	December 31, 2021	December 31, 2020
<b>Equity</b>			
Capital stock	1,26	₩ 281,883,340	₩ 281,883,340
Other paid-in capital	26	(73,758,181)	(73,018,419)
Accumulated other comprehensive loss	27	(31,120,924)	(83,604,344)
Retained earnings	28	4,125,412,231	4,022,907,059
<b>Total equity</b>		<u>4,302,416,466</u>	<u>4,148,167,636</u>
<b>Total liabilities and equity</b>		<u>₩ 8,559,486,599</u>	<u>₩ 7,842,255,073</u>

See accompanying notes to the financial statements.

Lotte Property & Development Co., Ltd.  
Statements of Comprehensive Income (Loss)

For the years ended December 31, 2021 and 2020

		Korean won (thousands, except for earnings per share)	
	<b>Notes</b>	<b>2021</b>	<b>2020</b>
Sales	29,38	₩ 754,335,370	₩ 482,918,400
Cost of sales	28,32,38	(613,793,795)	(410,239,038)
<b>Gross profit</b>		140,541,575	72,679,362
Selling, general and administrative expenses	31,32,38	(60,150,878)	(49,386,533)
<b>Operating profit</b>		80,390,697	23,292,829
Other income	33	16,702,557	817,839
Other expenses	33	(5,697,480)	(1,937,884)
Finance income - Others	7,34	78,396,455	38,200,741
Finance income - Interest income using the effective interest method	7,34	8,108,452	13,068,396
Finance costs	7,34	(115,195,363)	(136,364,622)
Impairment loss on associates	13	(14,263,090)	(32,915,799)
Equity method profit	13	271,807,513	8,203,933
<b>Profit (loss) before income tax</b>		320,249,741	(87,634,567)
Income tax benefit (expense)	25	(223,090,934)	7,865,737
<b>Profit (loss) for the year</b>		₩ 97,158,807	₩ (79,768,830)
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of net defined benefit liabilities	23,25	(1,171,791)	(284,860)
<b>Items that are or may be reclassified to profit or loss:</b>			
Changes in equity method capital		50,447,053	(45,006,552)
Changes in equity method retained earnings		2,177,685	(1,497,316)
Gain (loss) on valuation of derivatives	7,25	6,376,838	(1,811,218)
<b>Other comprehensive income (loss), net of tax</b>		57,829,785	(48,599,946)
<b>Total comprehensive income (loss) for the year</b>		₩ 154,988,592	₩ (128,368,776)
<b>Earnings (loss) per share</b>	35		
Basic and diluted earnings (loss) per share (in Korean won)		₩ 1,723	₩ (1,384)

See accompanying notes to the financial statements.

Lotte Property & Development Co., Ltd.  
Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

	Korean won (thousands)			
	Accumulated other comprehensive Loss			
	Capital stock	Other paid-in capital	Retained Earnings	Total Equity
<b>Balance at January 1, 2020</b>	₩ 297,244,400	85,332,747	4,104,458,065	4,445,965,302
Loss for the year	-	-	(79,768,830)	(79,768,830)
Remeasurements of defined benefit liabilities	-	-	(284,860)	(284,860)
Change in equity method capital surplus	-	(38,570)	-	(38,570)
Change in equity method capital	-	-	4,283,336	(40,723,216)
Loss on valuation of derivatives	-	-	-	(1,811,218)
Change in equity method retained earnings	-	-	(1,497,316)	(1,497,316)
Transfer of changes in equity method capital surplus to retained earnings	-	-	(4,283,336)	-
Changes in ownership interest:				
Capital reduction	(15,361,060)	-	-	(15,361,060)
Loss from capital reduction	-	(158,312,596)	-	(158,312,596)
<b>Balance at December 31, 2020</b>	₩ 281,883,340	(73,018,419)	4,022,907,059	4,148,167,636

See accompanying notes to the financial statements.

Lotte Property & Development Co., Ltd.  
Statements of Changes in Equity, (continued)

For the years ended December 31, 2021 and 2020

	Korean won (thousands)				
	Capital stock	Other paid-in capital	Accumulated other comprehensive Loss	Retained Earnings	Total Equity
<b>Balance at January 1, 2021</b>	₩ 281,883,340	(73,018,419)	(83,604,344)	4,022,907,059	4,148,167,636
Profit for the year	-	-	-	97,158,807	97,158,807
Remeasurements of net defined benefit liabilities	-	-	-	(1,171,791)	(1,171,791)
Loss on valuation of derivatives	-	-	6,376,838	-	6,376,838
Change in equity method capital	-	-	50,447,053	-	50,447,053
Change in equity method retained earnings	-	-	-	2,177,685	2,177,685
Change in equity method capital surplus	-	(739,762)	-	-	(739,762)
Transfer of changes in equity method capital surplus to retained earnings	-	-	(4,340,471)	4,340,471	-
<b>Balance at December 31, 2021</b>	₩ 281,883,340	(73,758,181)	(31,120,924)	4,125,412,231	4,302,416,466

See accompanying notes to the financial statements.

Lotte Property & Development Co., Ltd.  
Statements of Cash Flows

For the years ended December 31, 2021 and 2020

	Notes	Korean won (thousands)	
		2021	2020
<b>Cash flows from operating activities</b>			
<b>Profit (loss) for the year</b>		₩ 97,158,807	₩ (79,768,830)
<b>Adjustments for</b>			
Income tax expenses (benefit)	25	223,090,934	(7,865,737)
Depreciation expenses	14,15,17	98,920,635	99,133,732
Amortization	16	2,783,176	2,301,028
Allowance for retirement benefits	23	1,234,607	1,032,691
Long-term employee benefits	24	103,543	133,884
Interest expenses	34	70,276,879	70,191,280
Dividends received		(3,170,047)	-
Loss on foreign currency translation		30,705,000	27,904,635
Losses on valuation of financial assets measured at fair value through profit or loss	34	164,542	23,544
Interest income		(8,108,452)	(13,068,396)
Gain on valuation of derivatives		(30,024,000)	-
Gain on transaction of derivatives		(7,100,000)	-
Loss on valuation of derivatives		-	34,900,000
Gain on valuation of financial assets measured at fair value through profit or loss		(6,790,197)	-
Gain on foreign currency translation		(19,784,413)	(34,900,000)
Reversal of finance guarantee provision		(3,290,717)	(3,299,733)
Finance guarantee expense		3,290,717	3,299,733
Equity method profit or loss	13	(271,807,513)	(8,203,934)
Impairment loss on investment in associates	13	14,263,091	32,915,799
Other gain or loss		1,872,246	(2,989)
Loss on disposition of tangible assets		48,125	-
Gain on disposal of right-of-use asset	15,33	(13,748,471)	-
Gain on bargain purchase	39	(2,149,475)	-
Rents		-	(1,374,273)
Commission		56,353	-
<b>Changes in operating assets and liabilities</b>			
Decrease (increase) in trade receivables		(4,288,018)	(2,732,520)
Decrease (increase) in other receivables		(2,031,949)	6,211,976
Decrease (increase) in other current assets		(35,345,132)	(13,506,443)
Decrease (increase) in inventories		404,158,724	217,661,504
Decrease (increase) in other non-current assets		(282,249)	600,174
Increase (decrease) in other payables		15,863,325	(22,046,736)
Increase (decrease) in other current liabilities		32,331,321	(4,636,585)
Increase (decrease) in other short-term financial liabilities		-	(5,800)
Increase (decrease) in other non-current liabilities		(5,962,052)	(1,150,918)
Increase (decrease) in other long-term financial liabilities		-	37,754,931
Increase (decrease) in long-term employee benefits liabilities		(50,133)	(48,646)
Changes in plan assets	23	(2,039,822)	(340,525)
Post-employment benefit paid	23	(1,159,044)	(791,611)
Income tax paid		(17,132,668)	(17,125,542)
<b>Net cash provided from operating activities</b>		₩ 562,057,673	₩ 323,195,693

See accompanying notes to the financial statements.

**Lotte Property & Development Co., Ltd.**  
**Statements of Cash Flows, (continued)**

**For the years ended December 31, 2021 and 2020**

**Cash flows from investing activities**

Interest received		₩	8,748,754	13,584,713
Decrease in short-term financial assets			136,383,280	-
Collection of finance lease receivables			1,157,857	2,778,856
Dividends received	13		27,848,350	45,929,063
Disposal of property, plant and equipment	14		6,108,654	-
Disposal of investment property	17		417,438	-
Deposit refund			-	478,208
Acquisition of property, plant and equipment	14,37		(1,223,111,762)	(5,737,544)
Acquisition of intangible assets	16		(3,100,819)	(924,909)
Acquisition of investment property	17		(239,992,833)	(2,604,272)
Acquisition of financial asset measured at FVTPL			(12,500,000)	(10,300,000)
Cash outflow from business combination	39		(6,936,000)	-
Increase in deposit			(2,096,884)	-
Increase in short-term financial assets			-	(7,019,422)
<b>Net cash used in investing activities</b>		₩	<b>(1,307,073,965)</b>	<b>36,184,693</b>

**Cash flows from financing activities**

Proceeds from short-term borrowings	37	₩	300,000,000	140,000,000
Proceeds from long-term borrowings	37		513,618,500	149,500,000
Issuance of bonds	37		398,947,960	199,438,260
Increase in deposit			40,363,809	-
Repayment of current portion of long-term borrowings and bonds	37		(424,800,000)	(405,000,000)
Repayment of short-term borrowings	37		(140,000,000)	-
Repayment of long-term borrowings	37		(10,000,000)	-
Repayment of lease liabilities	15		(14,209,714)	(20,492,971)
Distribution of capital			-	(173,673,656)
Interest payment			(61,658,822)	(62,686,447)
<b>Net cash used in financing activities</b>		₩	<b>602,261,733</b>	<b>₩ (172,914,814)</b>

**Net increase (decrease) in cash and cash equivalents**

			(142,754,559)	186,465,572
Cash and cash equivalents at January 1			448,176,668	266,950,865
Effect of movements in exchange rates on cash held			5,735,943	(5,239,769)
<b>Cash and cash equivalents at December 31</b>		₩	<b>331,158,052</b>	<b>₩ 448,176,668</b>

*See accompanying notes to the financial statements.*

# Lotte Property & Development Co., Ltd.

## Notes to the Financial Statements

December 31, 2021 and 2020

### 1. Reporting entity

Lotte Property & Development Co., Ltd. ("the Company") was established on June 15, 1982. On August 1, 1988, the Company was approved for foreign investment in the tourist hotel industry under the Foreign Capital Inducement Act. The head office of the Company is located at Olympic-ro, Songpa-gu, Seoul, Korea as of December 31, 2021. The Company has completed the construction of Lotte World Tower and is currently operating Lotte World Tower and Lotte World Mall.

The Company's issued capital at the date of its incorporation amounted to 1 million Korean won, which is now 281,883 million Korean won as of December 31, 2021 after several capital increases and reductions. As of December 31, 2021, the shareholders of the Company are as follows.

Shareholder	Number of shares (in shares)	Percentage of ownership (%)
Lotte Holdings Co., Ltd.	33,881,736	60.10
Hotel Lotte Co., Ltd.	18,508,174	32.83
Other investors	3,986,758	7.07
Total	56,376,668	100.00

### 2. Basis of accounting

The financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in Article 5, Paragraph 1, Subparagraph 1 of the Act on External Audits of Corporations in the Republic of Korea.

The financial statements were authorized for issue by the Board of Directors on January 26, 2022, which will be submitted for approval to the General Stockholders' Meeting to be held on March 24, 2022.



**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

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(1) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position.

- . Derivative financial instruments are measured at fair value
- . Financial instruments at fair value through profit or loss("FVTPL") are measured at fair value
- . Financial instruments at fair value through other comprehensive income("FVOCI") are measured at fair value
- . Defined benefit liabilities are recognized as the net of total present value of the defined benefit obligation, less the fair value of plan assets.

(2) Functional and presentation currency

These financial statements are presented in Korean won, the Company's functional currency, which is the currency of the primary economic environment in which the Company operates.

(3) Use of judgements and estimates

The preparation of the financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. If estimates and assumptions based on management's best judgment as of December 31, 2021 differ from actual circumstances, actual results may differ from these estimates. The Company makes estimates and assumptions on the future. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and underlying assumptions are based on historical experiences and other factors including expectation on possible future events. Actual results may differ from these estimates. The following are critical assumptions and key sources of estimation uncertainty at the end of reporting period, which have a significant risk of causing a material adjustment to the carrying amounts of the Company's assets and liabilities during the next fiscal year.

The spread of COVID-19 is having a significant impact on the domestic and international economy. This can negatively affect productivity, revenue decline

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or delay, and collection of receivables. It can also negatively affect the Company's financial position and financial performance due to negative impact on financial position and financial performance of associate companies. Critical accounting estimates and assumptions used in preparing financial statements can be adjusted according to changes in uncertainty caused by COVID-19, and the ultimate impact on business, financial position and business performance can be different from the estimates reflected in the accompanying financial statements.

① Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment during the next fiscal year are included in the following notes.

- Note 9: Trade and other receivables (assumptions on expected credit loss)
- Note 23: Defined benefit assets and defined benefit liabilities (key actuarial assumption)
- Note 25: Income tax expense and deferred tax (including corporate earnings circulation taxes)
- Note 36: Commitments and contingencies (assumptions on likelihood of outflow of resources and amount)

② Measurement of Fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the finance executives.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following note.

- Note 6: Fair value

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3. Changes in Accounting Policies

The Company has applied the following new and revised IFRS standards and interpretations that are effective from January 1, 2021.

- (1) K-IFRS 1109 Financial Instruments, K-IFRS 1039 Financial Instruments:  
Recognition and Measurement, K-IFRS 1107 Financial Instruments:  
Disclosure, K-IFRS 1104 Insurance Contracts, and K-IFRS 1116 Lease  
(Amendment) – Interest Rate Benchmark Reform

The Company has initially adopted 'Interest Rate Benchmark Reform Phase 2 – K-IFRS 1109, 1039, 1107, 1104, 1116' from January 1, 2021, and applied it retrospectively. However, in accordance with the transitional provisions permitted in Phase 2 amendment, the Company did not restate the financial statements or make additional disclosures for the prior periods. The retrospective application does not have an effect on beginning amount of equity.

- Accounting practices applied from January 1, 2021 in accordance with  
Interest Rate Benchmark Reform

The Phase 2 amendments provide practical relief from certain requirements in K-IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of Interest Rate Benchmark Reform, the Company updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by Interest Rate Benchmark Reform if the following conditions are met:

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- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by Interest Rate Benchmark Reform, the Company first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by Interest Rate Benchmark Reform. After that, the Company applies the requirement of K-IFRS 1109 on accounting for modifications to the additional changes.

The amendments provide an exception to the use of an adjusted discount rate to reflect changes in interest rates in accordance with paragraph 42 of K-IFRS 1116 when a lease liability is remeasured due to a lease change required by the Interest Rate Benchmark Reform.

Finally, the Phase 2 amendments to the Interest Rate Benchmark Reform provide a set of temporary exceptions to certain hedging accounting requirements. When the changes required by the Interest Rate Benchmark Reform occur in the hedged item or hedging instrument, the hedging relationship is considered to continue. The Company applies the following simplified method when the uncertainty about the amount and timing of the cash flow of the hedged item or hedging instrument, which are based on the interest rate index, is resolved due to Interest Rate Benchmark Reform.

- The company changes the official designation of the hedging relationship to reflect the changes required by the Interest Rate Benchmark Reform without discontinuing the hedging relationship.
- When the hedged item of a cash flow hedge is changed to reflect the requirement of Interest Rate Benchmark Reform, the accumulated cash flow hedge reserve is considered to be based on the interest rate of an alternative index that will be the basis of the future cash flow of the hedged item.

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The Company continues applying the existing accounting policies when uncertainties remain about the amount and timing of cash flows from hedged items or hedging instruments which are based on interest rate index.

(2) Amendments to K-IFRS 1116 Lease – COVID-19 related rent concession that continues to provide after June 30, 2021

The application of the practical expedient, which 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 should consistently apply the practical expedient to similar contracts in similar circumstances. The Company early adopted the amendments to K-IFRS 1116, changed the accounting policy for all rent concessions which meet the conditions, and recognized them in profit or loss per the practical expedient. The Company does not expect that these amendments have a significant impact on the financial statements.

#### 4. Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the changes in accounting policies as explained in Note 3.

##### (1) Interest in equity-accounted investees

The Company's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

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Interests in associates are accounted for using the equity method. They are recognized initially at cost which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees. All dividends are deducted from the book value of the investment interests.

• Elimination of intercompany transactions

The Company eliminates the Company's share of unrealized gains from transactions with equity-accounted investees. Unrealized losses are eliminated in the same way as unrealized gains if there is no evidence of impairment.

(2) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, and investment securities with maturities of three months or less from the acquisition date. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, such as preferred shares when it has a short maturity from the acquisition date with a specified redemption date.

(3) Inventories

The cost of inventories is based on the specific identification method, and includes expenditures incurred in acquiring the inventories, conversion costs and other costs incurred in bringing inventories to their existing location and condition.

Inventories are measured at the lower of cost and net realizable value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense during the period the write-down or loss occurs. The amount of any reversal of write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(4) Financial instruments



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**1) Recognition and initial measurement**

Trade receivables and debt securities are initially recognized when they are originated. Other financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to preset subsequent changes in the investment's fair value in other comprehensive income. Changes in fair value of the investment in equity instruments, that are not elected to be accounted for other comprehensive income, are recognized in profit or loss.

**2) Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. A financial asset is not reclassified without a change of the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset which changes its business model is reclassified on a first day of the first reporting period after its change.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL.

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following

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conditions and is not designated as at FVTPL.

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis and irrevocable election can be made at initial recognition.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as financial assets at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

① Financial assets – business model assessment :

The Company makes an assessment of the objective of the business model at the portfolio level of financial assets because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets, or realizing cash flows through the sale of the assets;
- how the performance of the financial assets held within that business model are evaluated and reported to the Company's management;

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- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales, and its expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose.

Financial assets, that are held for trading or managed and whose performance is evaluated on a fair value basis, are measured at FVTPL.

② Financial assets : Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are only payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition

In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate

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features;

- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the only payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual per amount, a feature, which permits a prepayment at an amount that substantially represents the contractual par amount plus accrued interest, is treated as consistent with this criterion if the fair value of the prepayment is insignificant at initial recognition.

③ Financial assets : Subsequent measurement and gains and losses

Financial assets measured at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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④ Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

⑤ Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position only when the Company currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

3) Derivative financial instruments

① Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to manage foreign exchange risk and interest rate risk. Embedded derivatives are separate from the host contract and accounted for separately if the host contract is not a financial asset and certain conditions are met.

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes in the fair value of derivative are recognized in profit or loss.

The Company designates certain derivatives to hedge the volatility of cash flows from future projected transactions, which is highly likely to arise from fluctuations in exchange rates and interest rates, as a hedging instrument. Also,

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the Company designates certain derivative instruments and non-derivative financial liabilities as hedging instruments for the purpose of hedging foreign exchange risks associated with net investment in overseas business.

On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction. In addition, the document includes the method of valuation on hedging instruments offsetting changes in cash flow.

Hedges are directly affected by Interest Rate Benchmark Reform.

For the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the Company assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based is not altered as a result of Interest Rate Benchmark Reform.

For a cash flow hedge of a forecast transaction, the Company assumes that the benchmark interest rate will not be altered as a result of Interest Rate Benchmark Reform for the purpose of assessing whether the forecast transaction is highly probable, and shows exposure to changes in cash flow that could ultimately affect profit or loss.

The Company assumes that the benchmark interest rate will not be altered as a result of Interest Rate Benchmark Reform for the purpose of determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur.

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- The Company will cease applying the specific policy for assessing the economic relationship between the hedged item and the hedging instrument
- to a hedged item or hedging instrument 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 respective item or instrument; or
  - when the hedging relationship is discontinued.

Regarding the requirement that the probability of hedging should be very high, the Company will cease applying the specific policy 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 respective item or instrument, or when the hedging relationship is discontinued.

② Cash flow hedges

When a derivative is designated as cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. From the inception of the hedge, the effective portion of changes in the fair value of the derivatives which is recognized in other comprehensive income is limited to the present value of cumulative changes in the fair value of the hedged items. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

In a cash flow hedging relationship, the Company designates only changes in the fair value of spot component of a forward exchange transaction as a hedging instrument. Changes in the fair value of the forward component of a forward exchange transaction are separately accounted for as hedging costs and recognized in equity.

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When a hedging transaction is subsequently recognized in a non-financial asset such as inventory, the accumulated hedge reserve and the hedging cost are included directly in the initial cost of the non-financial asset at the time when the non-financial asset is recognized.

For other hedging transactions, the accumulated hedge reserve and the hedging cost are reclassified to profit or loss in the same period or in the period when the hedged future cash flows affect profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

For hedging transactions where a non-financial item is recognized, if cash flow hedge accounting is discontinued, the accumulated hedge reserve and the hedging cost remain in the equity from the initial recognition to the time that the amount is included in the cost of the non-financial item. For cash flow hedges that do not fall under these circumstances, the amount is reclassified during the period when the hedged future cash flows affect profit or loss, and the cash flow hedge reserve and the hedging cost are reclassified to profit or loss.

If the hedged future cash flows are no longer expected to occur, the accumulated cash flow hedge reserve and hedging cost are immediately reclassified to profit or loss.

The amount recognized in other comprehensive income is reclassified to profit or loss through adjustments in whole or in part upon the disposal of all or part of the overseas business sites.



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4) Impairment of financial assets

① Financial instruments and contract assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortized costs;
- debt securities measured at FVOCI; and
- contract assets defined by K-IFRS No. 1115

The Company measures impairment losses at an amount equal to lifetime ECLs except for the below assets, which are measured at 12-month ECLs.

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, informed credit assessment, and forward-looking information.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from all default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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**② Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Meanwhile, the Company applies the specific identification method to all trade receivable balances, judging that it is consistent with the expected credit loss measurement principle specified in K-IFRS No. 1109.

**③ Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due;
- the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Company would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

**④ Presentation of credit loss allowance in the statement of financial position**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income, instead of reducing the carrying amount of the asset in the statement of financial position.

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⑤ Write-off

The Company writes off a financial asset when it has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off. However financial assets that are written off could still be subject to collection activities according to the Company's past due collection process.

(5) Property, plant and equipment

Property, plant and equipment are initially measured at cost. The cost of Property, plant and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment, subsequently, are carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of Property, plant and equipment, except for land, is calculated to the cost of each asset less residual value using the straight-line method over the estimated useful lives of the assets that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

A component that is significant compared to the total cost of Property, plant and equipment is depreciated over its separate useful life.

Gains and losses on disposal of an item of Property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

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The estimated useful lives of the Company's Property, plant and equipment are as follows.

Classification	Useful lives (years)
Buildings	10~50
Structures	40
Machinery	15
Furniture and fixtures	5
Tools and equipment	5

The Company reviews the depreciation method, the estimated useful lives and residual values of property and equipment at the end of each reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

(6) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Industrial property rights – intangible assets with finite useful lives – are amortized over 5-10 years, and software and other intangible assets are amortized over 5 years using the straight-line method. Useful lives and amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. Changes, if appropriate, are accounted for as changes in accounting estimates. However, intangible assets with indefinite useful lives such as membership are not amortized.

(7) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. However, among the properties held for rental income, the following are classified as property and equipment when:

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- rental income is significantly dependent on the business performance of the lessee
- ancillary services are provided to the lessee in addition to rental, and the portion of the services are significant
- rental contract significantly influences business and financial activities of the operation of the property

Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs associated with routine maintenance and repairs are recognized in profit or loss as incurred.

The Company does not depreciate land. Investment property, except for land, is depreciated on a straight-line basis over estimated useful lives of 5~50 years.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

**(8) Impairment of non-financial assets**

Intangible assets with indefinite useful lives are tested for impairment at least annually. Depreciable assets are tested for impairment whenever there is an indication that the assets may be impaired. Impairment loss is recognized by the carrying amount that exceeds the recoverable amount (the higher of value in use or fair value less costs of disposal), and impairment loss on non-financial assets other than goodwill is reviewed for reversal at the end of each reporting period.

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The Company estimates the recoverable amount of an individual asset, and if it is impossible to measure the individual recoverable amount of an asset, the Company estimates the recoverable amount of cash generating unit ("CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

**(9) Leases**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**① As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying

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asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company separately presents right-of-use assets and lease liabilities in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of IT Equipment that have a lease term of 12 months or less and lease of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

② As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance



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lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies K-IFRS No. 1115 to allocate the consideration in the contract.

The Company applies derecognition and impairment requirements in K-IFRS No. 1109 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

**(10) Non-derivative financial liabilities**

The Company classifies non-derivative financial liabilities into financial liabilities at FVTPL or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Company recognizes financial liabilities in the statement of financial position when the Company becomes a party to the contractual provisions of the financial liabilities.

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① Financial liabilities measured at FVTPL

financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, any directly attributable transaction costs are recognized in profit or loss as incurred.

② Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at FVTPL are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the issue of the financial liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortized cost and the interest expenses are recognized using the effective interest method.

③ Derecognition of financial liabilities

The Company extinguishes a financial liability only when the contractual obligation is fulfilled, canceled or expires. The Company recognizes new financial liabilities at fair value based on new contracts and eliminates existing liabilities when the contractual terms of the financial liabilities change and the cash flows change substantially.

When a financial liability is derecognized, the difference between the carrying amount and the consideration paid (including any transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

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**(11) Employee benefits**

**① Short-term employee benefits**

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render related services. When an employee has rendered a service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

**② Other long-term employee benefits**

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render related services. The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

**③ Retirement benefits: defined benefit plans**

At the end of reporting period, defined benefit liabilities relating to defined benefit plans are recognized at present value of defined benefit obligations net of fair value of plan assets. The calculation is performed annually by an independent actuary using the projected unit credit method. When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Company recognizes an asset, to the extent of the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan. Remeasurements of the net defined benefit liability comprises of actuarial gains and losses, the return on plan assets excluding amounts included in net interest on the net defined benefit liability, and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability, and are recognized immediately in other comprehensive income. The Company determines net interests on net defined benefit liability (asset) by multiplying discount rate determined at the beginning of the annual reporting period and considers

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changes in net defined benefit liability (asset) from contributions and benefit payments. Net interest costs and other costs relating to the defined benefit plan are recognized through profit or loss.

**(12) Share capital**

Common stocks are classified as equity, and the incremental costs directly arising from capital transactions, net of tax, are deducted from equity.

When the Company repurchases its own shares, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The gains or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss.

**(13) Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the exchange rate at the reporting date. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange differences arising from translation of monetary items except for financial liabilities designated cashflow hedging instruments are recognized in profit or loss. When gains or losses on non-monetary items are recognized in other comprehensive income, exchange components of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on non-monetary items are recognized in profit or loss, exchange components of those gains or losses are recognized in profit or loss.

**(14) Revenue from contracts with customers**

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Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer. The Company recognizes revenue when it transfers control of a product or service to a customer.

Revenue recognition policies regarding the characteristics and timing of performance obligations, and significant payment terms in contracts with customers are as follows.

Goods or services	Characteristics of goods or services, timing of performance obligations, and significant payment terms
Sale of goods	Revenue from the sale of goods through a contract with a customer is recognized when the goods are delivered and control transfers to the customer.
Commission	When the company acts as a supplier's agent rather than a party to a transaction, commission income is recognized as the amount charged to the customer less the amount payable to the actual supplier of goods or services.
Provision of services	Revenue from customer contracts is recognized over the periods in which benefits are provided to the customer.

(15) Finance income and finance costs

The Company's finance income and finance costs include:

- . interest income;
- . interest expense;
- . dividend income;
- . the net gain or loss on the disposal of investments in debt securities measured at FVOCI;
- . the net gain or loss on financial assets at FVTPL;
- . the foreign currency gain or loss on financial assets and financial liabilities;
- . impairment losses (and reversals) on investments in debt securities carried at amortized cost or FVOCI; and
- . losses on hedging instruments that are recognized in profit or loss

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

The effective interest rate is the rate that exactly discounts estimated future

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cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**(16) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

The Company determines whether interest and penalties related to income taxes meet the definition of income taxes. If so, the Company applies K-IFRS No.1012 'Income Taxes'. Otherwise, the Company applies K-IFRS No.1037 'Provisions, Contingent Liabilities and Contingent Assets' for them.

**① Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset only if below criteria are met.

- the Company has a legally enforceable right to offset the amount recognized.
- the Company intends to settle the current tax liabilities and assets on a net

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basis.

② Deferred tax

When measuring deferred tax assets and deferred tax liabilities, the Company reflects the tax effects of the methods to recover or settle the carrying amounts of the assets and liabilities at the end of the reporting period. The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in associates and interests in joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred tax asset for all deductible temporary differences, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

A deferred tax asset is recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Future taxable profit is dependent on the reversal of taxable temporary differences. If there are insufficient taxable temporary differences to recognize the deferred tax asset, the business plan of the Company's subsidiaries and the reversal of existing temporary differences are considered in determining the future taxable profit.

The Company reviews the carrying amount of a deferred tax asset at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and

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deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the Company has a legally enforceable right to offset the amount recognized, they relate to income taxes levied by the same tax authority, and they intend to settle current tax liabilities and assets on a net basis. Income tax expense in relation to dividend payments is recognized when liabilities relating to the dividend payments are recognized.

**(17) Earnings per share**

The Company calculates basic and diluted earnings per share (EPS) against profit from continuing operation and current profit or loss, and presents in the statements of comprehensive income. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares including convertible bonds and share-based compensations granted to employees. The Company does not have dilutive ordinary shares and as a result, diluted EPS and basic EPS are equal.

**(18) Unadopted new and amended standards and interpretations**

The following new and amended standards and interpretations were enacted and published, but not effective yet for the fiscal year beginning on January 1, 2021. The Company did not early adopt the following new and amended standards and interpretations when preparing the financial statements.

The new and amended standards are not expected to have a significant impact on the Company's financial statements. The details of new and amended standards and interpretations that have not been adopted are as follows.



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① Amendments to K-IFRS 1103 'Business Combinations' – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination 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 K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets, and K-IFRS 2121 Levies. The amendments also clarify 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 Company does not expect that these amendments have a significant impact on the financial statements.

② Amendments to K-IFRS 1016 Property, plant and equipment – Proceeds before intended use

The amendments prohibit an entity from deducting any proceeds from selling items produced from the cost of an item of property, plant and equipment while the entity is preparing the asset for its intended use. Instead, an entity recognizes 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 Company does not expect that these amendments have a significant impact on the financial statements.

③ Amendments to K-IFRS 1037 Provision and 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 Company

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does not expect that these amendments have a significant impact on the financial statements.

④ Amendments to K-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 includes the transfer of the entity's own equity instruments, however, it would be excluded from 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 Company does not expect that these amendments have a significant impact on the financial statements.

⑤ Annual Improvements to K-IFRS 2018-2020

Annual improvements to K-IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- K-IFRS 1101 First-time Adoption of Korean International Financial Reporting Standards: Subsidiaries that are first-time adopters
- K-IFRS 1109 Financial Instruments: Fees in the '10% Test' for Derecognition of Financial Liabilities
- K-IFRS 1116 Lease: Lease Incentives
- K-IFRS 1041 Agriculture: Fair Value Measurement

⑥ Amendments to K-IFRS 1001 Presentation of Financial Statements –

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**Disclosure of Accounting Policies**

The amendments require entities to disclose their ‘material’ accounting policies instead of ‘significant’ accounting policies. The amendments provide a new definition of material that it could reasonably be expected to influence decisions of the primary users of financial statements. The amendments clarify that materiality will depend on the information, in combination with other information, in the context of the financial statements. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

⑦ Amendments to K-IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments define accounting estimates as ‘monetary amount on financial statements which are difficult to be measured’ by deleting previous definition of ‘Changes in Accounting Estimates’ and adding a term ‘Accounting Estimates’. It has been clarified that changes in inputs or measurement techniques used in the development of the accounting estimates are changes in accounting estimates unless they are error corrections for prior years. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

⑧ Amendments to K-IFRS 1012 Income Taxes – Accounting Treatment of Deferred Taxes

The amendments clarified the scope of application of the exemption from initial recognition (K-IFRS 1012.15) for the accounting for deferred income tax when assets and liabilities occur simultaneously in a single transaction. Specifically, the amendments require to recognize deferred tax only for a transaction in which an offsetting temporary difference of the same amount occurs on the date of the transaction, even though the transaction is not business combination and does not affect accounting profit or taxable income (tax loss) at the time of the transaction.

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The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

⑨ Amendments to K-IFRS 1117 Insurance Contracts – Insurance Liabilities

At the time of initial recognition of an insurance contract, the insurance liability is measured as the sum of the cash flow for the insurance company to fulfill the guaranteed service and the contract service margin, which is the unrealized profit that the insurance company will recognize according to the provision of the service. In addition, insurance liabilities are measured at their present value at the reporting date. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

5. Financial risk management

(1) Risk management framework

The Company is exposed to various financial risks, such as market risk, credit risk and liquidity risk, relating to the operations of the Company. The purpose of risk management policy is to minimize potential risks, which could have adverse effect on financial performance.

Risk management activities are performed by the treasury department, and it identifies, evaluates and hedges financial risks in close cooperation with business units. The Board of Directors provides not only documented policies on specific areas such as foreign exchange risk, interest rate risk, credit risk, and investment in excess of liquidity but overall risk management policy.

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1) Market risk

① Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to foreign currency borrowings. Foreign exchange risk arises from assets and liabilities recognized in foreign currencies.

The company's management establishes policies to manage foreign exchange risks for functional currencies, and manages future foreign exchange risks from expected transactions and recognized assets and liabilities in consultation with the treasury department. Foreign exchange risk arises from assets and liabilities recognized in currencies other than the functional currency.

The details of primary financial assets and financial liabilities denominated in foreign currencies as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won, thousands of USD)				
Type	December 31, 2021		December 31, 2020	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Foreign currency loans receivables	USD 50,000	59,275	USD 50,000	54,400
Foreign currency deposit	USD 153,225	181,648	USD 352,172	383,164

The Company has hedged foreign currency risks that may arise from floating rate foreign bonds through derivatives contracts, therefore they are not included in the foreign currency risk details.

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When all other variables remain constant and foreign currency exchange rate of the functional currency for foreign currency borrowings and foreign currency deposits fluctuates by 10% as of December 31, 2021 and 2020, the effects of the exchange rate change on after-tax profit or loss are as follows. However, hedged bonds against interest rate risk are excluded, and the details are explained in Note 22.

(in millions of Korean won)				
Type	December 31, 2021		December 31, 2020	
	10% increase	10% decrease	10% increase	10% decrease
Foreign currency loans receivables	4,493	(4,493)	4,124	(4,124)
Foreign currency deposit	13,769	(13,769)	29,044	(29,044)

The above-mentioned sensitivity analysis is based on monetary assets and liabilities denominated in foreign currencies other than the Company's functional currency as of December 31, 2021 and 2020.

② Interest rate risk

Interest rate risk is the risk that interest income and expenses from deposits or borrowings will fluctuate by the changes of future market interest rate. It arises mainly from floating rate deposit and borrowings. The purpose of interest rate risk management is to minimize uncertainty and net interest expense arising from interest rate fluctuation, and to maximize enterprise value.

If interest rate fluctuates by 10bp for floating rate borrowings with all other variables held constant, the effects on after-tax profit or loss and equity for the years ended December 31, 2021 and 2020 are as follows. However, hedged bonds against interest rate risk are excluded, and the details are explained in Note 22.

(in millions of Korean won)				
Interest rate	Effect on after-tax profit or loss		Effect on equity	
	2021	2020	2021	2020
If increase	(227)	–	(227)	–
If decrease	227	–	227	–

2) Credit risk

Credit risk is managed at the company level. Credit risk arises mostly from deposits in

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banks and financial institutions. The Company transacts only with financial institutions with high credit ratings, and accordingly the credit risk from financial institutions is limited. The Company transacts only with banks and financial institutions whose credit ratings from independent credit rating agencies are higher than certain level.

The maximum exposure to credit risk as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Cash and cash equivalents (*1)	311,150	448,168
Trade receivables	16,351	12,771
Other receivables	9,077	8,258
Short-term financial instruments	362,539	476,412
Long-term trade receivables	3,235	1,853
Long-term financial instruments (*2)	12,871	8,776

(\*1) Cash held by the Company without being deposited in a financial institution is not exposed to credit risk, so it is excluded from exposure to credit risk.

(\*2) The amount excludes equity securities.

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3) Liquidity risk

Treasury department collects cash flow forecasts. The department keeps the unused borrowing limit at an optimal level, constantly reviews the liquidity forecast to meet the operating funds demand, and ensures that there are no violation of borrowing limits or covenants. For liquidity forecast, the Company considers financing plans, commitments, internal target financial ratios and external laws and regulations such as restrictions on money supply. Treasury department invests surplus cash in interest-bearing current accounts, time deposits and demand deposits choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The details of financial liabilities by contractual maturity are as follows.

- December 31, 2021

(in millions of Korean won)						
Classification	Book value	Contractual cash flow	Less than 1 year	1 ~ 2 years	2 ~ 3 years	Over 3 years
Other payables	54,624	54,624	54,624	–	–	–
Financial liabilities (*)	284,601	326,523	95,715	34,331	14,985	181,492
Borrowings (*)	2,263,827	2,265,770	875,650	360,000	860,120	170,000
Lease liabilities (*)	220,798	392,731	13,648	13,656	13,686	351,741
Total	2,823,850	3,039,648	1,039,637	407,987	888,791	703,233

- December 31, 2020

(in millions of Korean won)						
Classification	Book value	Contractual cash flow	Less than 1 year	1 ~ 2 years	2 ~ 3 years	Over 3 years
Other payables	37,922	37,922	37,922	–	–	–
Financial liabilities (*)	287,479	332,197	58,051	131,586	11,187	131,373
Borrowings (*)	1,586,636	1,589,000	762,600	476,400	280,000	70,000
Lease liabilities (*)	607,341	874,198	44,782	44,589	44,511	740,316
Total	2,519,378	2,833,317	903,355	652,575	335,698	941,689

(\*) The above maturity analysis is based on undiscounted cash flows and includes cash flows of principal and interest.



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In addition to the above, the Company has a fund replenishment agreement with the major shareholders, L-Incheon First Co., Ltd. and L-Incheon Second Co., Ltd., in relation to the long-term borrowings of Lotte Incheon Development Co., Ltd. When a condition occurs, L-Incheon First Co., Ltd. and L-Incheon Second Co., Ltd. may request fund replenishment to the Company in accordance with the agreement. (see Note 36).

(2) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Like other companies in the industry, the Company manages its capital based on the net borrowings to total capital funding ratio. The net borrowings to total capital funding ratio is calculated by dividing net borrowings by total raised capital. Net borrowings are obtained by deducting cash and cash equivalents from total borrowings. Total raised capital is obtained by adding net borrowings to equity in the statement of financial position.

The details of net borrowings to total capital funding ratio calculation as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Total borrowings (A)	2,263,827	1,586,636
Less: cash and cash equivalents (B)	(311,158)	(448,177)
Net borrowings (C=A+B)	1,952,669	1,138,459
Equity (D)	4,302,416	4,148,168
Total raised capital (E)=(C)+(D)	6,255,085	5,286,627
Net borrowings to total capital funding ratio (C/E)	31.22%	21.53%

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6. Fair value

There is no significant change in the business and economic environment that affect the fair values of the Company's financial assets and liabilities for the year ended December 31, 2021.

(1) Fair values of financial instruments by categories

Carrying amounts and fair values of financial instruments by categories as of December 31, 2021 and 2020 are as follows.

① December 31, 2021

(in millions of Korean won)		
Classification	December 31, 2021	
	Carrying amount	Fair value
Financial assets		
Financial assets measured at fair value:		
- Financial assets at FVTPL	329,266	329,266
- Financial assets at FVOCI (*2)	21	21
- Derivative instruments	1,895	1,895
Financial assets not measured at fair value: (*1)		
- Cash and cash equivalents	311,158	311,158
- Trade receivables	16,351	16,351
- Other receivables	9,077	9,077
- Short-term financial instruments	69,288	69,288
- Long-term trade receivables	3,235	3,235
- Long-term financial instruments	11,896	11,896
Total	752,187	752,187
Financial liabilities		
Financial liabilities measured at fair value:		
- Derivative instruments	643	643
Financial liabilities not measured at fair value: (*1)		
- Other payables	54,624	54,624
- Short-term financial liabilities	94,313	94,313
- Long-term financial liabilities	189,645	189,645
- Lease liabilities	220,798	220,798
- Borrowings and bonds: (*3)	2,263,827	2,262,035
Total	2,823,850	2,822,058

(\*1) Carrying amounts are reasonable approximation of the fair values.

(\*2) Carrying amounts are equal to costs if the fair values of equity instruments that do not have quoted market prices in an active market cannot be reliably measured.

(\*3) Fair value was measured by discounted rate of return based on the Company's credit rating (AA-).

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

② December 31, 2020

(In millions of Korean won)		
Classification	December 31, 2020	
	Carrying amount	Fair value
Financial assets		
Financial assets measured at fair value:		
- Financial assets at FVTPL	10,947	10,947
- Financial assets at FVOCI (*2)	21	21
Financial assets not measured at fair value: (*1)		
- Cash and cash equivalents	448,177	448,177
- Trade receivables	12,771	12,771
- Financial lease receivable	30,792	30,792
- Other receivables	8,258	8,258
- Short-term financial instruments	476,412	476,412
- Long-term trade receivables	1,853	1,853
- Long-term financial instruments	8,776	8,776
Total	998,007	998,007
Financial liabilities		
Financial liabilities measured at fair value:		
- Derivative instruments	44,285	44,285
Financial liabilities not measured at fair value: (*1)		
- Other payables	37,922	37,922
- Short-term financial liabilities	46,608	46,608
- Long-term financial liabilities	196,587	196,587
- Borrowings and bonds: (*3)	1,586,636	1,652,363
- Lease liabilities	607,341	607,341
Total	2,519,379	2,585,106

(\*1) Carrying amounts are reasonable approximation of the fair values.

(\*2) Carrying amounts are equal to costs if the fair values of equity instruments that do not have quoted market prices in an active market cannot be reliably measured.

(\*3) Fair value was measured by discounted rate of return based on the Company's credit rating (AA-).

(2) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique. The levels of hierarchy of fair value are as follows.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

**December 31, 2021 and 2020**

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Financial instruments measured at fair value are all recurring fair value estimates. Fair values of financial instruments by categories are as follows.

① December 31, 2021

(in millions of Korean won)				
Classification	Level 1	Level 2	Level 3	Total
Short-term financial assets				
Short-term derivative assets	–	920	–	920
Financial assets at FVTPL	–	292,332	–	292,332
Long-term financial assets				
Financial assets at FVTPL	–	–	36,934	36,934
Long-term derivative assets	–	975	–	975
Short-term financial liabilities				
Short-term derivative liabilities	–	192	–	192
Long-term financial liabilities				
Long-term derivative liabilities	–	452	–	452

② December 31, 2020

(in millions of Korean won)				
Classification	Level 1	Level 2	Level 3	Total
Long-term financial assets				
Financial assets at FVTPL	–	–	10,947	10,947
Short-term financial liabilities				
Short-term derivative liabilities	–	10,900	–	10,900
Long-term financial liabilities				
Long-term derivative liabilities	–	33,385	–	33,385

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

③ Valuation techniques and significant but unobservable inputs

The valuation techniques used to measure the fair value of Levels 2 and 3, and significant but unobservable inputs are as follows. Fair value information is not included for non-measured financial assets and financial liabilities because the carrying amounts are reasonable approximation of their fair values.

Classification	Valuation techniques	Level	Significant but unobservable inputs	Significant but unobservable correlations between inputs
Financial assets at FVTPL	Valuation by rating agency	2	–	–
Financial assets at FVTPL	Net asset valuation method	3	Fair value of assets	The estimated fair value decreases (increases) when: the fair value of the assets decreases (increases)
Financial assets at FVOCI	Net asset valuation method	3	Fair value of assets	The estimated fair value decreases (increases) when: the fair value of the assets decreases (increases)
Interest rate swap	Market approach	2	–	–
Currency swap	Market approach	2	–	–

④ Transfer between fair value hierarchy

The Company recognizes transfers between the hierarchy levels at the end of reporting periods. Changes in level 3 recurring measurements for the year ended December 31, 2021 are as follows.

(in millions of Korean won)	
Classification	Financial assets
Balance at January 1, 2020	670
Decrease from changes in consolidation scope	–
Acquisition	10,300
Profit (loss) included in financial income or loss	(23)
Balance at December 31, 2020	10,947
Balance at January 1, 2021	10,947
Acquisition	19,361
Profit (loss) included in financial income or loss	6,626
Balance at December 31, 2021	36,934

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

7. Categories of financial instruments

(1) Categories of financial assets and financial liabilities as of December 31, 2021 and 2020 are as follows.

① December 31, 2021

(in millions of Korean won)					
Financial assets	at amortized cost	at FVOCI	at FVTPL	derivatives designated as hedging instruments	Total
Cash and cash equivalents (*1)	311,150	–	–	–	311,150
Trade receivables	16,351	–	–	–	16,351
Other receivables	9,077	–	–	–	9,077
Short-term financial assets	69,287	–	292,332	920	362,539
Long-term trade receivables	3,235	–	–	–	3,235
Long-term financial assets	11,896	21	36,934	975	49,826
Total	420,996	21	329,266	1,895	752,178

(\*1) Cash on hand is excluded.

(in millions of Korean won)			
Financial liabilities	at amortized cost	derivatives designated as hedging instruments	Total
Other liabilities	54,624	–	54,624
Short-term borrowings	350,000	–	350,000
Current portion of long-term borrowings and bonds	525,229	–	525,229
Long-term borrowings and bonds	1,388,598	–	1,388,598
Short-term financial liabilities	94,313	191	94,504
Long-term financial liabilities	189,645	452	190,097
Lease liabilities	220,798	–	220,798
Total	2,823,207	643	2,823,850

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

② December 31, 2020

(in millions of Korean won)				
Financial assets	at amortized cost	at FVOCI	at FVTPL	Total
Cash and cash equivalents (*1)	448,168	–	–	448,168
Trade receivables	12,771	–	–	12,771
Other receivables	8,258	–	–	8,258
Short-term financial assets	476,412	–	–	476,412
Long-term trade receivables	1,853	–	–	1,853
Long-term financial assets	8,776	21	10,947	19,744
Financial lease receivables	30,792	–	–	30,792
Total	987,030	21	10,947	997,998

(\*1) Cash on hand is excluded.

(in millions of Korean won)			
Financial liabilities	at amortized cost	derivatives designated as hedging instruments	Total
Other liabilities (*2)	37,922	–	37,922
Short-term borrowings	140,000	–	140,000
Current portion of long-term borrowings	622,309	–	622,309
Long-term borrowings and bonds	824,327	–	824,327
Short-term financial liabilities	46,608	10,900	57,508
Long-term financial liabilities	196,587	33,385	229,972
Lease liabilities	607,341	–	607,341
Total	2,475,094	44,285	2,519,379

(\*2) Other payables of 855 million Korean won related to employee benefits are included.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(2) Gain and loss on financial instruments by Classification are as follows.

① December 31, 2021

(in millions of Korean won)	
Classification	2021
Profit or loss:	
Financial assets at amortized cost	
Interest income	8,108
Foreign exchange loss	(10,758)
Foreign exchange gain	8,237
Gains from foreign currency translations	19,785
Financial assets at FVTPL	
Valuation gain on financial assets at FVTPL	6,790
Valuation loss on financial assets at FVTPL	(165)
Dividends	3,170
Financial liabilities at amortized cost	
Interest expense	(70,277)
Loss from foreign currency translations	(30,705)
Derivatives designated as hedging instruments	
Gains from valuation of derivatives	30,024
Gains from transaction of derivatives	7,100
Other comprehensive income (*):	
Gains from valuation of derivatives	6,377

(\*) After-tax valuation amount.



Lotte Property & Development Co., Ltd.  
Notes to the Financial Statements, (continued)

December 31, 2021 and 2020

② December 31, 2020

(in millions of Korean won)	
Classification	2020
Profit or loss:	
Financial assets at amortized cost	
Interest income	13,068
Foreign exchange loss	(45)
Foreign exchange gain	1
Loss from foreign currency translations	(27,905)
Financial assets at FVTPL	
Valuation loss on financial assets at FVTPL	(23)
Financial liabilities at amortized cost	
Interest expense	(70,191)
Gains from foreign currency translations	34,900
Long-term derivatives designated as hedging instruments	
Loss from valuation of derivatives	(34,900)
Other comprehensive income (*):	
Loss from valuation of derivatives	(1,811)

(\*) After-tax valuation amount.

8. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Cash on hand	8	9
Bank deposits	311,150	448,168
Total	311,158	448,177

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

9. Trade receivables and other receivables

(1) Details of trade and other receivables as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)				
Classification	December 31, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Trade receivables	16,779	3,235	13,200	1,853
Loss allowance	(429)	–	(429)	–
Other receivables	5,685	–	5,012	–
Loss allowance	(1,474)	–	(1,474)	–
Accrued income	4,867	–	4,720	–
Total	25,428	3,235	21,029	1,853

(2) The Company estimates a recoverable amount of a receivable of which a loss event has been identified on an individual assessment. The details of trade and other receivables by aging and impairment as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Financial assets not overdue or impaired	27,886	21,114
Overdue but not impaired financial assets	777	1,768
Impaired financial assets	1,903	1,903
Total	30,566	24,785

(3) The aging analysis of trade and other receivables that are overdue but not impaired as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Less than 3 months	–	–
3 ~ 6 months	196	1,537
6 ~ 12 months	349	172
Over 1 year	232	59
Total	777	1,768

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(4) Changes in loss allowance on trade and other receivables for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)				
Classification	2021		2020	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning balance	429	1,474	429	1,474
Provision	–	–	–	–
Reversal	–	–	–	–
Ending balance	429	1,474	429	1,474

10. Other financial assets

Details of other financial assets as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Other current financial assets		
Short-term financial instruments	302,331	421,999
Deposits	13	13
Short-term loans receivables	59,275	54,400
Short-term derivatives designated as hedging instruments	920	–
Sub total	362,539	476,412
Other non-current financial assets		
Long-term financial instruments (*1)	3	3
Financial assets measured at FVOCI	21	21
Long-term derivatives designated as hedging instruments	976	–
Financial assets measured at FVTPL	36,935	10,947
Deposits	11,892	8,773
Sub total	49,827	19,744
Grand total	412,366	496,156

(\*1) restricted as deposits for maintaining of checking accounts.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

11. Other assets

Details of other assets as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)				
Classification	December 31, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Advance payments	36,901	–	4,259	–
Prepaid expenses	6,920	6,191	9,963	4,328
Total	43,821	6,191	14,222	4,328

12. Inventories

Details of inventories as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Merchandise	5	5
Finished buildings	112,771	466,048
Total	112,776	466,053

13. Investment in associates

(1) Investments in associates as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)							
Associates	Location	Main business	Acquisition cost	December 31, 2021		December 31, 2020	
				Percentage of ownership	Book value	Percentage of ownership	Book value
Lotte Chemical Corporation	Korea	Petrochemical product manufacturing and sales	18,947	20.00%	2,890,135	20.00%	2,577,395
Lotte Asset Development Co., Ltd. (*)	Korea	Non-residential building rental	106,289	–	–	32.34%	9,397
Total			125,236		2,890,135		2,586,792

(\*) The Company lost significant influence in Lotte Asset Development Co., Ltd. during the year ended December 31, 2021 due to capital reduction without cash pay-out, and it was excluded from associates.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(2) Changes in investments in associates are as follows.

① 2021

(in millions of Korean won)								
Associates	Beginning balance	Dividends received	Equity method profit or loss	Equity method capital surplus	Changes in equity method capital	Equity method retained earnings	Impairment (*)	Ending balance
Lotte Chemical Corporation	2,577,395	(24,678)	269,131	(949)	67,570	1,666	–	2,890,135
Lotte Asset Development Co., Ltd.	9,397	–	1,003	–	(1,495)	5,358	(14,263)	–
Total	2,586,792	(24,678)	270,134	(949)	66,075	7,024	(14,263)	2,890,135

(\*) The Company recognized an impairment loss of 14,263 million Korean won from the recoverable amount of investment stock in Lotte Asset Development Co., Ltd. during the year. Recoverable amount in Lotte Asset Development Co., Ltd. was measured at zero due to capital reduction with cash pay-out. The Company lost significant influence in Lotte Asset Development Co., Ltd. as of October 18, 2021 due to retirement of investment stocks, and reclassified gain or loss directly reflected in equity to profit loss of the year.

② 2020

(in millions of Korean won)								
Associates	Beginning balance	Dividends received	Equity method profit or loss	Equity method capital surplus	Changes in equity method capital	Equity method retained earnings	Impairment (*)	Ending balance
Lotte Chemical Corporation	2,648,972	(45,929)	31,694	(69)	(55,220)	(2,053)	–	2,577,395
Lotte Asset Development Co., Ltd.	66,279	–	(23,490)	–	(460)	(16)	(32,916)	9,397
Total	2,715,251	(45,929)	8,204	(69)	(55,680)	(2,069)	(32,916)	2,586,792

(\*) The Company recognized an impairment loss of 32,916 million Korean won from the recoverable value of investment stock in Lotte Asset Development Co., Ltd. during the year. The recoverable value was tested for impairment by an independent evaluation agency.

(3) Details of adjustments from the net assets of associates to the carrying amount of equity interests in associates as of December 31, 2021 and 2020 are as follows.

① December 31, 2021

(in millions of Korean won)					
Associates	Net asset (A)(*)	Equity percentage (%) (B)	Net asset equity percentage (A*B)	Difference in investment	Carrying amount
Lotte Chemical Corporation	14,410,216	20%	2,882,043	8,092	2,890,135

(\*) Non-controlling interest are excluded

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

③ December 31, 2020

(in millions of Korean won)						
Associates	Net asset (A)(*)	Equity percentage (%) (B)	Net asset/equity percentage (A*B)	Difference in investment	Impairment	Carrying amount
Lotte Chemical Corporation	12,846,516	20.00%	2,569,303	8,093	—	2,577,396
Lotte Asset Development Co., Ltd.	(81,052)	32.34%	(26,212)	68,526	(32,916)	9,398

(\*) Non-controlling interest are excluded

(4) Summary financial information of associates as of December 31, 2021 and 2020 are as follows.

① December 31, 2021

(in millions of Korean won)									
Associates	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Operating income (loss)	Profit for the year (*1)	Other comprehensive income (*1)	Total comprehensive income (*1)
Lotte Chemical Corporation	9,430,723	13,439,241	4,579,149	2,839,619	18,120,462	1,535,641	1,345,655	346,696	1,692,351
Lotte Asset Development Co., Ltd. (*2)	—	—	—	—	12,577	(18,599)	60,670	11,946	72,616

(\*1) These amounts are attributable to the ownership interest of the controlling entity.

(\*2) The Company lost significant influence in Lotte Asset Development Co., Ltd. as of October 18, 2021 due to retirement of investment stocks., and related profits are those accrued before the event.

② December 31, 2020

(in millions of Korean won)								
Associates	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Operating income (loss)	Other comprehensive income (*)	Total comprehensive income (*)
Lotte Chemical Corporation	6,876,463	12,510,083	2,867,691	2,806,500	12,223,032	356,911	(286,360)	(127,891)
Lotte Asset Development Co., Ltd.	998,495	141,662	1,184,014	37,195	32,319	(12,816)	(1,470)	(70,752)

(\*) These amounts are attributable to the ownership interest of the controlling entity.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(5) The market values of marketable securities of associates as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Number of shares (in shares)	6,855,084	6,855,084
Market price per share (in Korean won)	217,000	276,000
Market value	1,487,553	1,892,003
Carrying amount	2,890,135	2,577,396

**14. Property, plant and equipment**

Changes in Property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows.

① 2021

(in millions of Korean won)									
Classification	Land	Buildings	Structures	Machinery	Vehicle	Furniture and fixtures	Tools and equipment	Construction in progress	Total
Beginning balance	1,329,176	1,251,627	15,509	21,552	140	21,093	7,896	6,463	2,653,456
Transfers	–	67	–	(60)	–	58	2,694	(5,942)	(3,183)
Acquisition (*1)	850,853	345,434	3,855	5,044	10	9,919	3,828	4,550	1,223,493
Disposal	–	(6,109)	(39)	–	–	–	(9)	(56)	(6,213)
Business combination (*2)	–	–	–	–	–	–	1,557	–	1,557
Depreciation	–	(44,139)	(504)	(2,626)	(35)	(13,051)	(4,892)	–	(65,247)
Ending balance	2,180,029	1,546,880	18,821	23,910	115	18,019	11,074	5,015	3,803,863
Acquisition cost	2,180,029	1,860,299	22,423	41,728	175	159,414	43,264	5,015	4,312,347
Accumulated depreciation	–	(232,778)	(2,627)	(16,215)	(60)	(137,487)	(31,600)	–	(420,767)
Accumulated impairment loss	–	(80,641)	(975)	(1,603)	–	(3,908)	(590)	–	(87,717)

(\*1) During the year ended December 31, 2021, the Company signed a contract to acquire the portion of land and buildings in Lotte World Tower and Lotte World Mall from Lotte Shopping Co., Ltd. and Hotel Lotte Co., Ltd., which were previously leased to the Company. Accordingly, the related lease transaction was terminated, and the right-of-use assets and lease liabilities were derecognized.

(\*2) The Company took over the asset management business and shared office business from Lotte Asset Development Co., Ltd. during the year ended December 31, 2021 (see Note 39).

Lotte Property & Development Co., Ltd.  
Notes to the Financial Statements, (continued)

December 31, 2021 and 2020

② 2020

(in millions of Korean won)									
Classification	Land	Buildings	Structures	Machinery	Vehicle	Furniture and fixtures	Tools and equipment	Construction in progress	Total
Beginning balance	1,329,176	1,289,049	15,948	23,826	—	26,655	9,904	5,922	2,700,480
Transfers	—	516	—	26	—	5,042	696	(2,763)	3,517
Acquisition	—	150	—	—	165	1,055	1,117	3,304	5,791
Depreciation	—	(38,088)	(439)	(2,300)	(25)	(11,659)	(3,821)	—	(56,332)
Ending balance	1,329,176	1,251,627	15,509	21,552	140	21,093	7,896	6,463	2,653,456
Acquisition cost	1,329,176	1,520,907	18,615	36,759	165	149,436	36,426	6,463	3,097,947
Accumulated depreciation	—	(188,639)	(2,131)	(13,604)	(25)	(124,435)	(27,940)	—	(356,774)
Accumulated impairment loss	—	(80,641)	(975)	(1,603)	—	(3,908)	(590)	—	(87,717)

Depreciation expenses included in cost of sales is 62,800 million Korean won for the year ended December 31, 2021 (2020: 54,717 million Korean won). Partitioned superficies and lease rights are established for some of the land owned by the Company.

#### 15. Leases

(1) There is no finance lease receivable as of December 31, 2021 and details of finance lease receivables as of December 31, 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2020	
	Current	Non-current
Lease receivable	1,595	29,198

The Company recognized lease receivables through a sublease contract with Lotte World Tower and Lotte World Mall. The lease receivable was removed by share transfer agreement during the year ended December 31, 2021.



**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

**December 31, 2021 and 2020**

(2) Changes in right-of-use assets for the years ended December 31, 2021 and 2020 are as follows.

① 2021

(in millions of Korean won)				
Classification	Property	Vehicle	Others	Total
Beginning balance	406,828	142	154,171	561,141
Business combination (*1)	22,388	–	–	22,388
Acquisition	–	171	45,904	46,075
Disposal (*2)	(396,380)	(47)	–	(396,427)
Depreciation	(13,013)	(126)	(5,433)	(18,572)
Ending balance	19,823	140	194,642	214,605
Acquisition cost	22,388	250	208,092	230,730
Accumulated depreciation	(2,565)	(110)	(13,450)	(16,125)

(\*1) The Company took over the asset management business and shared office business from Lotte Asset Development Co., Ltd. during the year ended December 31, 2021 (see Note 39).

(\*2) The Company signed a contract to acquire shares (land and buildings) in Lotte World Tower and Lotte World Mall from Lotte Shopping Co., Ltd. and Hotel Lotte Co., Ltd. during the year ended December 31, 2021. Accordingly, the share lease transaction was closed, and the right-of-use asset was removed.

② 2020

(in millions of Korean won)				
Classification	Property	Vehicle	Others	Total
Beginning balance	387,134	160	132,651	519,945
Acquisition	43,489	230	26,211	69,930
Disposal	–	(126)	–	(126)
Depreciation	(23,795)	(122)	(4,691)	(28,608)
Ending balance	406,828	142	154,171	561,141
Acquisition cost	453,139	264	162,655	616,058
Accumulated depreciation	(46,311)	(122)	(8,484)	(54,917)

(3) The maturity of lease liabilities as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Less than 1 year	13,397	23,940
1 – 5 years	49,141	103,131
Over 5 years	158,261	480,270
Total	220,799	607,341

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

**December 31, 2021 and 2020**

(4) The amounts recognized in profit or loss in relation to lease liabilities for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Interest expenses on lease liabilities	13,751	21,873
Expenses relating to short-term lease	37	201
Expenses relating to leases of low-value assets	183	72
Total	13,971	22,146

Total cash outflow from leases during the year ended December 31, 2021 is 28,181 million Korean won (2020: 42,639 million Korean won).

(5) Details of current and non-current lease liabilities as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Current liabilities	13,397	23,940
Non-current liabilities	207,401	583,401
Total	220,798	607,341

(6) Changes in lease liabilities for the years ended December 31, 2021 and 2020 are as follows

(in millions of Korean won)		
Classification	2021	2020
Beginning balance	607,341	559,407
Business combination (*1)	22,142	–
Increase	45,835	69,931
Decrease (*2)	(440,310)	(130)
Repayment	(27,961)	(43,740)
Interest expense	13,751	21,873
Ending balance	220,798	607,341

(\*1) The Company acquired the asset management business and shared office business from Lotte Asset Development Co., Ltd. during the year ended December 31, 2021 (see Note 39).

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

**December 31, 2021 and 2020**

(\*2) =During the year ended December 31, 2021, the Company signed a contract to acquire the portion of land and buildings in Lotte World Tower and Lotte World Mall from Lotte Shopping Co., Ltd. and Hotel Lotte Co., Ltd., which were previously leased to the Company. Accordingly, the related lease transaction was terminated, and the right-of-use assets and lease liabilities were derecognized.

**16. Intangible assets**

Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows.

**① 2021**

(in millions of Korean won)					
Classification	Membership	Industrial rights	Software	Others	Total
Beginning balance	2,977	4	2,155	1,374	6,510
Acquisition (*1)	–	16	1,839	1,270	3,125
Transfer	–	–	2,623	(38)	2,585
Business combination (*2)	–	74	225	–	299
Amortization	–	(18)	(1,425)	(1,340)	(2,783)
Ending balance	2,977	76	5,417	1,266	9,736
Acquisition cost	3,539	128	9,385	15,351	28,403
Accumulated amortization	–	(52)	(3,968)	(13,790)	(17,810)
Accumulated impairment loss	(562)	–	–	(295)	(857)

(\*1) The Company signed a contract to acquire shares (land and buildings) in Lotte World Tower and Lotte World Mall from Lotte Shopping Co., Ltd. and Hotel Lotte Co., Ltd. during the year ended December 31, 2021, and the acquisition amount is included.

(\*2) The Company took over the asset management business and shared office business from Lotte Asset Development Co., Ltd. during the year ended December 31, 2021 (see Note 39).

Lotte Property & Development Co., Ltd.  
Notes to the Financial Statements, (continued)

December 31, 2021 and 2020

② 2020

(in millions of Korean won)					
Classification	Membership	Industrial rights	Software	Others	Total
Beginning balance	2,432	7	2,580	2,828	7,847
Acquisition	545	–	373	7	925
Transfer	–	–	–	39	39
Amortization	–	(3)	(798)	(1,500)	(2,301)
Ending balance	2,977	4	2,155	1,374	6,510
Acquisition cost	3,539	38	5,293	14,176	23,046
Accumulated amortization	–	(34)	(3,138)	(12,507)	(15,679)
Accumulated impairment loss	(562)	–	–	(295)	(857)

For the year ended December 31, 2021, amortization expenses included in cost of sales is 1,489 million Korean won(2020 : 1,566 million Korean won).

17. Investment properties

Changes in investment properties for the years ended December 31, 2021 and 2020 are summarized as follows.

① 2021

(in millions of Korean won)					
Classification	Land	Buildings	Structures	Equipment	Total
Beginning balance	283,196	239,939	2,165	26,446	551,746
Acquisition (*1)	183,187	56,312	494	–	239,993
Decrease	–	(417)	–	–	(417)
Transfer	(19,679)	(31,361)	(302)	1,058	(50,284)
Depreciation	–	(7,934)	(66)	(7,101)	(15,101)
Ending balance	446,704	256,539	2,291	20,403	725,937
Acquisition cost	446,704	304,005	2,694	36,703	790,106
Accumulated depreciation	–	(38,501)	(318)	(16,260)	(55,079)
Accumulated impairment loss	–	(8,965)	(85)	(40)	(9,090)

(\*1) The Company signed a contract to acquire shares (land and buildings) in Lotte World Tower and Lotte World Mall from Lotte Shopping Co., Ltd. and Hotel Lotte Co., Ltd. during the year ended December 31, 2021, and the acquisition amount is included.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

② 2020

(in millions of Korean won)					
Classification	Land	Buildings	Structures	Equipment	Total
Beginning balance	277,024	236,829	2,115	29,497	545,465
Acquisition	–	2,604	–	–	2,604
Transfer	6,172	7,700	110	3,889	17,871
Depreciation	–	(7,194)	(60)	(6,940)	(14,194)
Ending balance	283,196	239,939	2,165	26,446	551,746
Acquisition cost	283,196	281,981	2,525	40,426	608,128
Accumulated depreciation	–	(33,077)	(275)	(13,940)	(47,292)
Accumulated impairment loss	–	(8,965)	(85)	(40)	(9,090)

For the year ended December 31, 2021, depreciation expenses included in cost of sales is 14,535 million Korean won (2020: 13,787 million Korean won).

Meanwhile, the expected future minimum lease payments under the operating lease contracts for the above investment properties are as follows.

(in millions of Korean won)		
Classification	2021	2020
Less than 1 year	36,248	27,067
1 – 2 years	35,211	25,229
2 – 3 years	34,756	24,994
3 – 4 years	34,756	24,994
4 – 5 years	34,756	24,994
Over 5 years	171,516	280,984
Total	347,243	408,262

18. Other payables

Details of other payables as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Accounts payables	44,493	28,265
Accrued expenses	10,131	9,657
Total	54,624	37,922

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

19. Other financial liabilities

Details of other financial liabilities as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Other current financial liabilities		
Deposits received	91,779	40,092
Present value discounts	(1,235)	(543)
Hedging derivatives	192	10,900
Financial guarantee liabilities	3,768	7,059
Sub total	94,504	57,508
Other non-current financial liabilities		
Deposits received	230,332	240,761
Present value discounts	(40,687)	(44,174)
Derivative liabilities	452	33,385
Sub total	190,097	229,972
Grand total	284,601	287,480

20. Other liabilities

Details of other liabilities as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Other current liabilities		
Advances received	54,821	25,861
Deposits received	1,093	252
Unearned revenue	6,981	617
Value added tax withholding	10,240	6,195
Sub total	73,135	32,925
Other non-current liabilities		
Long-term unearned revenue	34,569	42,402
Grand total	107,704	75,327

Lotte Property & Development Co., Ltd.  
Notes to the Financial Statements, (continued)

December 31, 2021 and 2020

21. Borrowings and bonds

(1) Details of short-term borrowings as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)					
Type	Lenders	Maturity date	December 31, 2021	December 31, 2021	December 31, 2020
			Interest rate (%)		
Borrowing	KEB HANA BANK	2021-05-15	3.29	–	50,000
	Daegu Bank	2021-06-20	3.30	–	40,000
	Korea Development Bank	2021-09-15	3.00	–	50,000
	Nonghyup Bank	2022-03-20	1.89	50,000	–
	Woori Bank	2022-08-04	CD3M+1.23	150,000	–
	Kookmin Bank	2022-08-04	CD3M+1.22	150,000	–
Total				350,000	140,000

Lotte Property & Development Co., Ltd.  
Notes to the Financial Statements, (continued)

December 31, 2021 and 2020

(2) Details of long-term borrowings and bonds as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)					
Type	Lenders	Maturity date	December 31, 2021	December 31, 2021	December 31, 2020
			Interest rate (%)		
Borrowing	Sumitomo Mitsui Banking Corporation (SMBC)	2021-03-19	2.85	–	50,000
	Industrial & Commercial Bank of China	2021-11-19	CD3M+1.00	–	80,000
	Industrial & Commercial Bank of China	2023-11-17	CD3M+1.00	80,000	–
	Mizuho Bank	2021-01-29	2.92	–	85,000
	Mizuho Bank	2024-04-29	1.90	65,000	–
	KEB HANA BANK	2021-06-28	CD3M+1.21	–	50,000
	KEB HANA BANK	2022-04-01	3.28	50,000	50,000
	Shinhan Bank	2021-06-11	CD3M+1.10	–	70,000
	Nonghyup Bank	2021-03-30	3.30	–	50,000
	Woori Bank	2022-04-29	CD3M+1.38	100,000	100,000
	Maestro	2023-08-31	1.76	150,000	150,000
	Lotte Holdings Co., Ltd.	2024-03-29	1.50	515,120	–
	Sub total			960,120	685,000
	Discounts on borrowing			(282)	(446)
	Current portion			(170,000)	(385,000)
	Non-current			789,838	299,554
Fixed rate bonds in Korean won	10 unsecured corporate bond	2021-09-28	3.00	–	20,000
	11-1 unsecured corporate bond	2023-09-08	1.76	130,000	130,000
	11-2 unsecured corporate bond	2025-09-09	2.24	70,000	70,000
	12-1 unsecured corporate bond	2024-06-11	1.90	300,000	–
	12-2 unsecured corporate bond	2026-06-11	2.36	100,000	–
	Sub total			600,000	220,000
	Discounts on debenture			(1,240)	(524)
	Current portion			–	(19,990)
	Non-current			598,760	199,486
Floating rate bonds in foreign currency	Overseas ESG bond	2021-08-07	USD3M Libor+0.925	–	217,600
	Overseas ESG bond	2022-08-06	USD3M Libor+0.775	355,650	326,400
	Sub total			355,650	544,000
	Discounts on debenture			(421)	(1,394)
	Current portion			(355,229)	(217,319)
	Non-current			–	325,287
Grand total				1,388,598	824,327



Lotte Property & Development Co., Ltd.  
Notes to the Financial Statements, (continued)

December 31, 2021 and 2020

22. Derivative instruments

(1) Derivative instruments as of December 31, 2021 are as follows.

Purpose	Type	Contract
Risk hedging	Interest rate swap	Bear fixed interest on variable interest borrowings
Risk hedging	Currency interest rate swap	Bear fixed interests and fixed exchange rate on variable interest and exchange rate fluctuations

(2) Hedge accounting

The Company has a facility loan and commercial paper acceptance agreement as of end of December 31, 2021, and signed interest rate swap contracts to hedge interest rate fluctuations of the borrowings. Derivative gains and losses arising from effective portion of interest rate swaps are recognized in other comprehensive income, and in profit or loss for the ineffective portion. The Company determined that all derivative gains and losses arising from interest rate swap contracts are effective for hedging and recognized in other comprehensive income.

Details of derivatives designated as hedging instruments as of December 31, 2021 are as follows.

(in millions of Korean won, in thousands of foreign currency)							
Type	Contract amount	Receipt interest rate (%) and contract exchange rate	Payment interest rate	Maturity	Financial institution	Derivative asset	Derivative liability
Interest rate swap	KRW 80,000	CD 3M+1.00	2.99%	2023-11-17	KEB HANA BANK	-	452
Currency interest rate swap	USD 300,000	USD 3M Libor+0.775 / 1,183.1	1.94%	2022-08-06	Kookmin Bank	920	-
Interest rate swap	KRW 100,000	CD 3M+1.35	3.23%	2022-04-29	Woori Bank	-	192
Currency interest rate swap	JPY 13,000	JPY 1.50% / 10.2700	2.64%	2024-03-29	Mizuho Bank	258	-
Currency interest rate swap	JPY 12,000	JPY 1.50% / 10.2730	2.63%	2024-03-29	SMBC	718	-

(3) Gain and loss on valuation of derivatives

(in millions of Korean won)			
Purpose	Type	Loss on valuation	비고
Risk hedging	Interest rate swap and currency interest rate swap	(183)	Other comprehensive income(*)

(\*) Cumulative derivatives valuation gain is 1,252 million Korean won as of December 31, 2021, and the Company recognized accumulated other comprehensive loss of 183 million Korean won after adding income tax effect of 58 million Korean won and deducting foreign exchange valuation effect of 1,494 million Korean won.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

23. Net defined benefit liabilities (assets)

(1) Details of net defined benefit liabilities (assets) as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	8,134	5,763
Fair value of plan assets	(8,370)	(5,581)
Defined benefit liabilities	–	182
Defined benefit assets	236	–

(2) Changes in defined benefit obligations for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Beginning balance	5,763	4,271
Current service cost	1,229	1,071
Interest expense	150	85
Transfer from (to) associates	627	856
Remeasurements:		
Actuarial changes arising from changes in demographic assumption	–	(10)
Actuarial changes arising from changes in financial assumption	49	38
Actuarial changes arising from adjustment based on experience	1,475	244
Benefits paid:		
Salaries	(1,060)	(634)
Settlement of liabilities	(99)	(158)
Ending balance	8,134	5,763

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(3) Changes in plan assets for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Beginning balance	5,581	4,365
Interest income	145	123
Transfer from (to) associates	627	856
Remeasurements:		
Gain (loss) from plan assets	(23)	(104)
Contributions by:		
Employer	3,199	1,132
Benefits paid:		
Salaries	(1,060)	(634)
Settlement of assets	(99)	(157)
Ending balance	8,370	5,581

(4) Details of plan assets as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)				
Classification	December 31, 2021		December 31, 2020	
	Amount	Ratio	Amount	Ratio
Deposits	8,370	100.00%	5,581	100%

(5) Principal actuarial assumptions as of December 31, 2021 and 2020 are as follows.

(in %)		
Classification	December 31, 2021	December 31, 2020
Discount rate	3.40	2.81
Expected salary increase rate	2.43	1.89

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(6) The sensitivity analysis of the defined benefit obligations to changes in the principal assumptions is as follows.

(in millions of Korean won)		
Classification	Impact on defined benefit obligations (*2)	
	increase by 1%	decrease by 1%
Discount rate(*1)	decrease by 6.70%	increase by 7.70%
Expected salary increase rate	increase by 7.70%	decrease by 6.80%

(\*1) The decrease of high-quality corporate bonds yield offsets the impact on the defined benefit obligation by partially increasing the value of the debt securities held by the plan, but significantly affect the increase in the defined benefit obligations.

(\*2) The methods and assumptions used for sensitivity analysis are same as prior period, and was calculated under the assumption that other assumptions were constant. However, changes in some of the assumptions may be correlated in practice. The sensitivity of defined benefit liabilities to changes in major actuarial assumptions was calculated using the same predictive unit approach used to calculate defined benefit liabilities recognized in the statement of financial position.

(7) Impact of defined benefit plans on future cash flows

The weighted average maturity of the defined benefit obligations is 7.38 years as of December 31, 2021, and the maturity analysis of benefit payments is as follows.

(in millions of Korean won)					
Classification	Less than 1 year	1 ~ 2 years	2 ~ 5 years	Over 5 years	Total
Benefits paid	1,486	976	1,651	4,021	8,134

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

24. Other long-term employee benefits

Changes in other long-term employee benefit liabilities for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Beginning balance	506	421
Current service cost	65	52
Interest cost	14	11
Assumed obligations (business combination)	50	–
Other long-term employee benefit payments	(50)	(49)
Remeasurement	25	71
Ending balance	610	506

25. Income tax expense and deferred income tax

Income tax expense was recognized based on the best estimates of the weighted average annual income tax rate for the entire year.

(1) Income tax expense for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Current income tax		
Current tax on profits for the year	13,700	15,706
Current tax on non-reflux income	2,105	2,418
Adjustments for the current tax liabilities attributable to prior year, but recognized in current year (*)	159,930	1,010
Deferred tax charged directly to the equity	(20,254)	16,227
Deferred tax		
Changes in temporary difference	67,610	(43,227)
Income tax expense (benefit)	223,091	(7,866)

(\*) Additional income tax payments are included.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(2) The relationship between tax expense and accounting profit for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Profit before income tax	320,250	(87,635)
Tax expense (benefit) calculated at statutory income tax rates	77,038	(21,670)
Tax effects of:		
Tax-exempt income	(4,625)	(1,769)
Non-deductible expense	1,780	463
Current tax expense on non-reflux income	2,105	2,418
Adjustments for the current tax liabilities attributable to prior year, but recognized in current year	159,930	1,010
Tax credits	–	(138)
Changes in tax brackets	10,320	(2,362)
Changes in unrecognized deferred taxes	(23,457)	14,182
Income tax expense (benefit)	223,091	(7,866)

(3) Income taxes recognized in other comprehensive income for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)						
Classification	2021			2020		
	Before tax amount	Tax effect	After tax amount	Before tax amount	Tax effect	After tax amount
Actuarial gain	1,546	(374)	1,172	376	(91)	285
Loss on valuation of non-current hedging derivatives	(8,413)	2,036	(6,377)	2,389	(578)	1,811
Changes in equity method capital surplus	949	(209)	740	69	(31)	38
Changes in equity method capital	(68,742)	17,125	(50,447)	55,680	(14,957)	40,723
Changes in equity method retained earnings	(1,666)	506	(1,160)	2,067	(570)	1,497
Total	(76,326)	20,254	(56,072)	60,581	(16,227)	44,354

(4) As of December 31, 2021, the tax effects of temporary difference were calculated by expected tax rate of the fiscal period when the temporary differences are expected to be reversed.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(5) Details of deferred tax assets and deferred tax liabilities as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Deferred tax assets		
Deferred tax assets to be settled after 12 months	108,970	9,864
Deferred tax assets to be settled within 12 months	6,033	236,126
Sub total	115,003	245,990
Deferred tax liabilities		
Deferred tax liabilities to be settled after 12 months	(1,271,040)	(2,414)
Deferred tax liabilities to be settled within 12 months	(933)	(1,332,936)
Sub total	(1,271,973)	(1,335,350)
Net Deferred tax assets (liabilities)	(1,156,970)	(1,089,360)

(6) Changes in deferred tax liabilities for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Beginning balance	1,089,360	1,132,586
Charged to profit or loss	47,356	(27,000)
Charged to equity	297	(600)
Charged to other comprehensive income	19,957	(15,626)
Ending balance	1,156,970	1,089,360

Lotte Property & Development Co., Ltd.  
Notes to the Financial Statements, (continued)

December 31, 2021 and 2020

(7) Changes in deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020 are as follows.

① 2021

(in millions of Korean won)					
Classification	Beginning balance	Profit or loss	Equity	Other comprehensive income	Ending balance
Deferred tax liabilities					
Remeasurement difference on property and equipment	(448,327)	30,426	–	–	(417,901)
Equity method profit or loss	(656,816)	(67,412)	–	–	(724,228)
Equity method retained earnings	(32,992)	–	(506)	–	(33,498)
Equity method capital surplus	(29,582)	–	209	–	(29,373)
Deposits (Present value discounts)	(10,822)	677	–	–	(10,145)
Retirement insurance	(648)	(412)	–	–	(1,060)
bonds	(10,888)	2,255	–	8,622	(11)
Derivative assets	–	(361)	–	(459)	(820)
Right-of-use assets	(135,796)	83,862	–	–	(51,934)
Others	(9,480)	6,476	–	–	(3,004)
Sub total	(1,335,351)	55,511	(297)	8,163	(1,271,974)
Deferred tax assets					
Changes in equity method capital	26,179	–	–	(18,295)	7,884
Retirement benefit obligation	648	38	–	374	1,060
Unearned revenue	10,407	(352)	–	–	10,055
Property and equipment	37,919	836	–	–	38,755
Non-current derivative liabilities	10,717	–	–	(10,561)	156
Gain or loss on foreign currency translation	1,161	(545)	–	–	616
Lease liabilities	146,976	(93,543)	–	–	53,433
bonds	–	–	–	362	362
Others	11,984	(9,301)	–	–	2,683
Sub total	245,991	(102,867)	–	(28,120)	115,004
Grand total	(1,089,360)	(47,356)	(297)	(19,957)	(1,156,970)



Lotte Property & Development Co., Ltd.  
Notes to the Financial Statements, (continued)

December 31, 2021 and 2020

② 2020

(in millions of Korean won)					
Classification	Beginning balance	Profit or loss	Equity	Other comprehensive income	Ending balance
Deferred tax liabilities					
Remeasurement difference on property and equipment	(465,331)	17,004	–	–	(448,327)
Equity method profit or loss	(660,942)	4,126	–	–	(656,816)
Equity method retained earnings	(33,561)	(1)	570	–	(32,992)
Equity method capital surplus	(29,613)	1	30	–	(29,582)
Deposits (Present value discounts)	(11,252)	430	–	–	(10,822)
Retirement insurance	(699)	51	–	–	(648)
bonds	(2,441)	–	–	(8,447)	(10,888)
Derivative assets	(988)	–	–	988	–
Right-of-use assets	(125,827)	(9,969)	–	–	(135,796)
Others	(11,210)	1,730	–	–	(9,480)
Sub total	(1,341,864)	13,372	600	(7,459)	(1,335,351)
Deferred tax assets					
Changes in equity method capital	11,221	–	–	14,958	26,179
Retirement benefit obligation	699	(142)	–	91	648
Unearned revenue	10,906	(499)	–	–	10,407
Property and equipment	40,583	(2,664)	–	–	37,919
Non-current derivative liabilities	2,681	–	–	8,036	10,717
Gain or loss on foreign currency translation	2,866	(1,705)	–	–	1,161
Lease liabilities	135,377	11,599	–	–	146,976
Others	4,945	7,039	–	–	11,984
Sub total	209,278	13,628	–	23,085	245,991
Grand total	(1,132,586)	27,000	600	15,626	(1,089,360)

(8) Details of temporary differences not recognized as deferred tax assets as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Loss allowance	(10)	416
Investments in associates	(23,448)	96,891
Total	(23,458)	97,307

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

26. Capital stock and other paid-in capital

(1) Capital stock

The Company has 190,000,000 authorized shares of common stock (par value: 5,000 Korean won), of which 56,376,668 shares have been issued as of December 31, 2021.

(in millions of Korean won)		
Classification	2021	2020
Beginning balance	281,883	297,244
Changes (*1)	–	(15,361)
Ending balance	281,883	281,883

(\*1) The Company acquired 3,072,212 shares of its treasury shares on June 1, 2020, and retired the shares.

(2) Other paid-in capital

Details of other paid-in as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Benefits from merge	7,822	7,822
Loss on capital reduction(*1)	(158,313)	(158,312)
Equity method capital surplus	76,733	77,472
Total	(73,758)	(73,018)

(\*1) The Company acquired 3,072,212 shares of its treasury shares on June 1, 2020, and retired the shares.

27. Accumulated other comprehensive income

Changes in accumulated other comprehensive income for the years ended December 31, 2021 and 2020 are as follows.

① 2021

(in millions of Korean won)				
Classification	Beginning balance	Changes	Reclassification	Ending balance
Changes in equity method capital (*)	(77,045)	47,780	(1,674)	(30,939)
Gain or loss on valuation of derivatives	(6,559)	6,377	–	(182)
Total	(83,604)	54,157	(1,674)	(31,121)

(\*) The Company lost significant influence in Lotte Asset Development Co., Ltd. as of October 18, 2021 due to retirement of investment stocks, and reclassified gain or loss directly reflected in equity to profit loss of the year.

Lotte Property & Development Co., Ltd.  
Notes to the Financial Statements, (continued)

December 31, 2021 and 2020

② 2020

(in millions of Korean won)			
Classification	Beginning balance	Changes	Ending balance
Changes in equity method capital	(36,322)	(40,723)	(77,045)
Gain or loss on valuation of derivatives	(4,748)	(1,811)	(6,559)
Total	(41,070)	(42,534)	(83,604)

28. Retained earnings

(1) Details of retained earnings as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Legal reserve		
Earned surplus reserve (*1)	1,000	1,000
Discretionary reserve		
Reserve for business rationalization (*2)	1,800	1,800
Discretionary reserve	3,251,000	3,251,000
Unappropriated retained earnings	871,612	769,107
Total	4,125,412	4,022,907

(\*1) The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as earned surplus reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for cash dividend payments, but may be transferred to capital stock or used to reduce accumulated deficit. If the total of capital reserve and earned surplus reserve exceeds 1.5 times the capital stock (by the resolution of the general meeting of shareholders), capital reserve and earned surplus reserve may be reduced within the amount exceeding the amount.

(\*2) It is a voluntary reserve, and available for dividend by the resolution of the general meeting of shareholders.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(2) Details of statement appropriations of retained earnings for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)				
Classification	Date of appropriation for 2021: March 24, 2022		Date of appropriation for 2020: March 25, 2021	
I. Unappropriated retained earnings		871,612		769,107
Unappropriated retained earnings carried over from the prior year	769,107		850,658	
Remeasurements of defined benefit liability	(1,172)		(285)	
Changes in equity method retained earnings	6,518		(1,497)	
Profit (loss) for the year	97,159		(79,769)	
II. Appropriation of retained earnings		—		—
III. Unappropriated retained earnings carried forward to the subsequent year		871,612		769,107

29. Operating segment

The Company's main businesses are property lease and supply of properties. The Company is engaged in domestic business only therefore no geographical market information is provided.

(1) Details of sales and cost of sales for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Sales		
Property sales	451,252	236,148
Property lease	256,554	221,706
Others	46,529	25,064
Total	754,335	482,918
Cost of sales		
Property sales	402,033	217,639
Property lease	174,016	171,218
Others	37,745	21,382
Total	613,794	410,239

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(2) Timing of revenue recognition for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
At a point in time		
Property sales	451,252	236,148
Over time		
Property lease	256,554	221,706
Others	46,529	25,064
Total	754,335	482,918

(3) Details of Long-term non-financial assets as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Property, plant and equipment and investment property	4,529,800	3,205,201
Intangible assets	9,736	6,510
Right-of-use assets	214,604	561,142
Total	4,754,140	3,772,853

(4) The percentage of sales from customers who account for over 10% of the sales for the years ended December 31, 2021 and 2020 is as follows.

(in millions of Korean won)				
Classification	2021		2020	
	Amount	Percentage(%)	Amount	Percentage(%)
Company A	56,756	7.52%	49,117	10.17%

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

30. Contract assets and contract liabilities

Information about receivables, contract assets and liabilities from contracts with customers as of December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	December 31, 2021	December 31, 2020
Contract liabilities (*)	51,252	20,004

(\*) Advance payments from property lease customers and advance payments for property sales are included. The Company recognized property lease revenue of 489 million Korean won and property sales revenue of 16,835 million won for the year ended December 31, 2021.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

31. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Salaries	6,960	5,911
Retirement and termination benefit	709	544
Employee welfare	1,208	1,025
Training	275	190
Travel	52	48
Vehicle maintenance	44	65
Insurance	37	41
Taxes and dues	4,876	5,332
Entertainment	549	361
Supplies	177	165
Printing	31	25
Communication	42	51
Utilities	428	463
Repairs	1,671	1,004
Rents	166	158
Depreciation	3,012	2,022
Depreciation of right-of-use asset	284	162
Amortization	1,294	735
Commissions	33,212	26,841
Advertising	3,075	1,392
Sales promotion	897	1,841
Decoration	912	1,004
Transportation	10	4
Compensation	230	3
Total	60,151	49,387

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

32. Expenses by nature

Cost of sales and selling and administrative expenses by nature for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Changes in inventory	402,033	217,639
Employee benefit	17,505	13,356
Commission	79,823	63,751
Depreciation and amortization	101,704	101,435
Taxes and dues	32,019	28,987
Advertising	3,973	3,233
Others	36,888	31,225
Total	673,945	459,626



**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

33. Other income and expenses

(1) Details of other income for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Miscellaneous income	805	818
Gain on disposal of right-of-use asset	13,748	–
Gain on bargain purchase	2,150	–
Total	16,703	818

(2) Details of other expenses for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Donations	2,158	1,813
Miscellaneous expenses	3,491	125
Loss on disposal of property and equipment	48	–
Total	5,697	1,938

34. Finance income and costs

(1) Details of finance income for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Interest income	7,609	11,822
Interest income on leases	499	1,246
Dividend income	3,170	–
Gain on foreign currency translation	19,785	34,900
Gain on foreign currency transaction	8,237	1
Gain on valuation of financial assets measured at FVTPL	6,790	–
Gain on valuation of derivatives	30,024	–
Gain on transaction of derivatives	7,100	–
Reversal of provision for financial guarantee	3,291	3,300
Total	86,505	51,269

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(2) Details of finance costs for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Interest expense	56,526	48,318
Interest expense on leases	13,751	21,873
Loss on valuation of financial assets measured at FVTPL	165	23
Financial guarantee expense	3,291	3,300
Loss on valuation of derivatives	–	34,900
Loss on foreign currency transaction	10,758	45
Loss on foreign currency translation	30,705	27,905
Total	115,196	136,364

35. Earnings per share

(1) Earnings per share is the calculation of net profit or loss for a common share, and is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares.

(2) Basic earnings per share

Basic earnings per share for the years ended December 31, 2021 and 2020 are as follows.

① 2021

(in millions of Korean won, share, Korean won)	
Classification	2021
Profit attributable to ordinary shares (A)	97,159
Weighted average number of outstanding ordinary shares (B)	56,376,668
Basic earnings per share (A/B)	1,723

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

② 2020

(in millions of Korean won, share, Korean won)	
Classification	2020
Loss attributable to ordinary shares (A)	(79,769)
Weighted average number of outstanding ordinary shares (B)	57,652,559
Basic loss per share (A/B)	(1,384)

(3) Weighted average number of outstanding ordinary shares

The calculation of weighted average number of common shares outstanding for the years ended December 31, 2021 and 2020 are calculated as follows.

① 2021

(in days, shares)				
Classification	Duration	Days (a)	Outstanding shares (b)	(c = a x b)
Beginning balance	2021.01.01~2021.12.31	365	56,376,668	20,577,483,820
Total		365	56,376,668	20,577,483,820
Weighted average number of outstanding ordinary shares				56,376,668

② 2020

(in days, shares)				
Classification	Duration	Days (a)	Outstanding shares (b)	(c = a x b)
Beginning balance	2020.01.01~2020.05.31	152	59,448,880	9,036,229,760
After capital decrease	2020.06.01~2020.12.31	214	56,376,668	12,064,606,952
Total		366		21,100,836,712
Weighted average number of outstanding ordinary shares				57,652,559

(4) There are no potential ordinary shares with dilutive effect. Therefore, diluted earnings per share are equal to basic earnings per share.

### 36. Contingencies and commitments

(1) As of December 31, 2021, the Company is provided with a performance guarantee of 2,352 million Korean won (2,221 million Korean won as of December 31, 2020) from Seoul Guarantee Insurance Co., Ltd. for the purpose of guaranteeing contract performance.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(2) There are 4 pending litigations (amount of 810 million Korean won) as of December 31, 2021. At this time, the Company is unable to predict the final outcomes of the litigations.

(3) A long-term financial instrument of 3 million Korean won as of December 31, 2021 (2020: 3 million Korean won) is restricted as a deposit for maintenance of checking account.

(4) Some of the land owned by the Company has a partitioned superficies set by Seoul Metropolitan Rapid Transit Corporation, Seoul Metro, Seoul Metropolitan City and Songpa-gu to maintain nearby subway facilities and access roads to shopping malls as of December 31, 2021. Also a lease is established by the Korea Electric Power Corporation for the maintenance of substation facilities.

(5) Some of the buildings owned by the Company have mortgages and leasehold rights set by the lessees as of December 31, 2021.

(6) The Company keeps 8 current account checks (face value of 62,926 million Korean won) from Lotte Engineering & Construction Co., Ltd. in connection with construction performance guarantees as of December 31, 2021.

(7) The Company has a fund replenishment agreement with the major shareholders, L-Incheon First Co., Ltd. and L-Incheon Second Co., Ltd., in relation to the long-term borrowings (principal amount of 800,000 million Korean won, and maturities of 60 months from February 23, 2018) of Lotte Incheon Development Co., Ltd. as of December 31, 2021. If the Company is unable to meet the conditions of credit rating maintenance and asset disposal restrictions stipulated by the fund replenishment agreement of Lotte Incheon Development Co., Ltd., an event of default may occur. Meanwhile, Lotte Incheon Development Co., Ltd. was merged into Lotte Shopping Co., Ltd. on January 31, 2022.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

37. Significant transactions without inflows and outflows of cash

(1) Details of significant transactions without inflows and outflows of cash for the years ended December 31, 2021 and 2020 are as follows.

(in millions of Korean won)		
Classification	2021	2020
Reclassification of advance payments to inventory	–	59,293
Reclassification of property, plant and equipment to accounts payables	382	54
Reclassification to current portion of borrowings and bonds	358,507	641,571
Reclassification to current portion of deposits received	74,110	29,170
Reclassification from construction-in-progress to inventory	–	71
Reclassification of inventory to property, plant and equipment	(560)	442
Reclassification of inventory to investment property	(50,284)	17,818
Increase in lease liabilities	45,834	69,931

(2) Changes in liabilities arising from financial activities during the year ended December 31, 2021 are as follows.

(in millions of Korean won)							
Classification	Beginning balance	Cash flow from financing activities	Non-cash changes			Others	Ending balance
			Transfer to current portion	Exchange rate difference	Bond discount amortization		
Current portion of bonds	237,309	(244,800)	343,507	18,630	583	–	355,229
Short-term borrowings	140,000	160,000	–	–	–	50,000	350,000
Current portion of long-term borrowings	385,000	(180,000)	15,000	–	–	(50,000)	170,000
bonds	524,772	398,949	(343,507)	17,820	726	–	598,760
Long-term borrowings	299,554	503,619	(15,000)	1,502	163	–	789,838
Lease liabilities	607,341	(27,961)	–	–	13,751	(372,333)	220,798

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

38. Transactions with related parties

(1) List of related companies

As of December 31, 2021 and 2020, the controlling entity of the Company is Japan's Lotte Holdings Co., Ltd., and the related parties with sales or receivable and payable balances with the Company are as follows.

Type	December 31, 2021	December 31, 2020
Investor with significant influence	Hotel Lotte Co., Ltd.	Hotel Lotte Co., Ltd.
Associates	Lotte Chemical Corporation	Lotte Chemical Corporation
	-(*)1	Lotte Asset Development Co., Ltd. (*)1
Other related parties (*)3	Lotte Chemical Titan Holding Berhad and subsidiaries	Lotte Chemical Titan Holding Berhad and subsidiaries
	Lotte Chemical Trading (Shanghai) Corp.	Lotte Chemical Trading (Shanghai) Corp.
	Lotte Chemical Engineering Plastics (Jiaxing) Co., Ltd.	Lotte Chemical Engineering Plastics (Jiaxing) Co., Ltd.
	Lotte Chemical (Jiaxing) Corp.	Lotte Chemical (Jiaxing) Corp.
	Sambark LFT Co., Ltd.	Sambark LFT Co., Ltd.
	Lotte Chemical ESG Fund	-
	-	DACC-Aerospace CO., LTD.
	Lotte Chemical Alabama Corp.	Lotte Chemical Alabama Corp.
	Lotte Chemical Engineering Plastics (Hefei) Co., Ltd.	Lotte Chemical Engineering Plastics (Hefei) Co., Ltd.
	KP Chemtech Corp.	KP Chemtech Corp.
	Lotte Chemical Pakistan Limited	Lotte Chemical Pakistan Limited
	Lotte Chemical Poland Sp. zo.o	Lotte Chemical Poland Sp. zo.o
	Lotte Chemical USA Corporation and subsidiaries	Lotte Chemical USA Corporation and subsidiaries
	Lotte Chemical Nigeria Limited	Lotte Chemical Nigeria Limited
	Lotte Chemical Engineering Plastics (Shenyang) Co., Ltd	Lotte Chemical Engineering Plastics (Shenyang) Co., Ltd
	Lotte Chemical Deutschland GMBH	Lotte Chemical Deutschland GMBH
	Lotte Chemical California Inc.	Lotte Chemical California Inc.
	Lotte Chemical Mexico S.A. de C.V.	-
	Lotte Chemical Shanghai Co., Ltd.	Lotte Chemical Shanghai Co., Ltd.
	Lotte Chemical (Thailand) Co., Ltd.	Lotte Chemical (Thailand) Co., Ltd.
	Lotte Chemical Engineering Plastics (Tianjin) Co., Ltd.	Lotte Chemical Engineering Plastics (Tianjin) Co., Ltd.
	Lotte Chemical Hungary Ltd.	Lotte Chemical Hungary Ltd.
	Lotte Chemical Engineering Plastics (Dongguan) Co., Ltd.	Lotte Chemical Engineering Plastics (Dongguan) Co., Ltd.
	Lotte Chemical Japan Co., Ltd.	Lotte Chemical Japan Co., Ltd.
	Lotte Chemical Vietnam Co., Ltd.	Lotte Chemical Vietnam Co., Ltd.
	Lotte Chemical India Pvt. Ltd.	Lotte Chemical India Pvt. Ltd.
	Peker Surface Designs Industry and Trade Joint Stock Company and subsidiaries	Peker Surface Designs Industry and Trade Joint Stock Company and subsidiaries
	-	Magok District PFV Corp.
	-	Eunpyeong PFV Corp.
	-	Lotte Shopping Town Daegu Co., Ltd.
	PT Lotte Chemical Engineering Plastics Indonesia	PT Lotte Chemical Engineering Plastics Indonesia
	PT Lotte Chemical Indonesia	PT Lotte Chemical Indonesia
	Lotte Chemical Innovation Fund No.1	Lotte Chemical Innovation Fund No.1
	Lotte Chemical Innovation Fund No.2	-
	Lotte GS Chemical Corporation	Lotte GS Chemical Corporation
	Affiliates of Lotte Group (*)1)(*)2	Affiliates of Lotte Group (*)1)(*)2

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(\*1) The Company lost significant influence in Lotte Asset Development Co., Ltd. during the year ended December 31, 2021 due to retirement of investment stocks. Accordingly, it was changed from the associate to other related party.

(\*2) It is not included in the related party categories in accordance with Korean K-IFRS 1024, and consist of affiliates in Lotte Group in accordance with Monopoly Regulation and Fair-Trade Act.

(\*3) Due to changes in the scope of subsidiaries of Lotte Chemical Corporation, Lotte Chemical ESG Fund and Lotte Chemical Mexico S.A. de C.V. were included in other related parties Classification, and DACC-Aerospace CO., LTD. was excluded.

(2) Transactions with related parties for the years ended December 31, 2021 and 2020 are as follows.

① 2021

(in millions of Korean won)					
Type	Company	Sales and others		Purchase and others	
		Sales	Other revenue	Acquisition of property and equipment	Other expenses
Investor with significant influence	Hotel Lotte Co., Ltd.(*1)(*2)	43,813	8,193	554,198	24,918
Associates	Lotte Chemical Corporation	13,438	—	—	—
Other related parties	Lotte Asset Development Co., Ltd.(*3)(*4)	—	—	—	7,159
	Lotte Shopping Co., Ltd.(*1)	56,765	6,525	831,296	15,622
	Lotte Engineering & Construction Co., Ltd.	28	—	21,143	14,733
	Daehong Communications Inc.	629	19	186	2,216
	FRL Korea Co., Ltd.	7,080	—	—	—
	LOTTE foundation for arts	12,658	170	—	1,800
	Others	21,704	303	1,725	9,143
Total		156,115	15,210	1,408,548	75,591

(\*1) The Company signed a contract to acquire shares (land and buildings) in Lotte World Tower and Lotte World Mall from Lotte Shopping Co., Ltd. and

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

**December 31, 2021 and 2020**

Hotel Lotte Co., Ltd. during the year ended December 31, 2021, and the acquisition amounts are 831,296 million Korean won and 554,198 million Korean won, respectively.

(\*2) The Company pays a certain percentage of the Residence sale price to Hotel Lotte Co., Ltd. as a marketing commission. The Company deducts marketing commission from sales, however, the commission is included in other expenses in the Notes.

(\*3) The Company took over the asset management business and shared office business from Lotte Asset Development Co., Ltd. during the year ended December 31, 2021, and the acquisition amount is 6,936 million Korean won (see Note 39).

(\*4) The Company lost significant influence in Lotte Asset Development Co., Ltd. during the year ended December 31, 2021 due to retirement of investment stocks. Accordingly, it was changed from the associate to other related party.

② 2020

(in millions of Korean won)					
Type	Company	Sales and others		Purchase and others	
		Sales	Other revenue	Acquisition of property and equipment	Other expenses
Investor with significant influence	Hotel Lotte Co., Ltd.	35,698	14,061	–	24,826
Associates	Lotte Chemical Corporation	11,558	–	–	–
	Lotte Asset Development Co., Ltd.	59	–	–	6,514
Other related parties	Lotte Shopping Co., Ltd.	49,117	6,011	–	23,505
	Lotte Engineering & Construction Co., Ltd.(*)	2	–	1,361	21,887
	LOTTE foundation for arts	8,082	28	–	1,790
	Daehong Communications Inc.	363	19	–	3,727
	FRL Korea Co., Ltd.	7,735	–	–	–
	Others	19,670	352	940	7,077
Total		132,284	20,471	2,301	89,326

(\*) The company has a contract with Lotte Engineering & Construction Co., Ltd. to build Lotte



Lotte Property & Development Co., Ltd.  
Notes to the Financial Statements, (continued)

December 31, 2021 and 2020  
World Tower.

(3) Receivables and payables with related parties as of December 31, 2021 and 2020 are as follows.

① December 31, 2021

(in millions of Korean won)					
Type	Company	Trade and other receivables	Loans receivables	Other payables	Borrowings
Controlling entity	Lotte Holdings Co., Ltd.	–	–	–	515,120
Investor with significant influence	Hotel Lotte Co., Ltd.	7,030	–	151,572	–
Associates	Lotte Chemical Corporation	174	–	7,603	–
Other related parties	Lotte Shopping Co., Ltd.	5,946	–	8,798	–
	Lotte Engineering & Construction Co., Ltd.	–	–	6,823	–
	Daehong Communications Inc.	56	–	288	–
	LOTTE foundation for arts	1,799	–	52	–
	Others	775	59,275	19,589	–
Total		15,780	59,275	194,725	515,120

In addition to the above receivables and payables, the Company has right-of-use assets of 52,317 million Korean won and lease liabilities of 54,647 million Korean won under lease contracts with related parties.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

**December 31, 2021 and 2020**

② December 31, 2020

(in millions of Korean won)				
Type	Company	Trade and other receivables	Loans receivables	Other payables
Investor with significant influence	Hotel Lotte Co., Ltd.	6,418	–	101,342
	Lotte Chemical Corporation	–	–	7,603
Associates	Lotte Asset Development Co., Ltd.	–	–	218
Other related parties	Lotte Shopping Co., Ltd.	4,887	–	2,074
	Lotte Engineering & Construction Co., Ltd.	–	–	751
	Daehong Communications Inc.	22	–	166
	LOTTE foundation for arts	1,830	–	–
	Others	249	54,400	18,655
Total		13,406	54,400	130,809

In addition to the above receivables and payables, the Company has right-of-use assets of 460,318 million Korean won and lease liabilities of 504,536 million Korean won under lease contracts with related parties, and lease receivables of 22,687 million Korean won under sub-lease contracts.

(4) Financial transactions with related parties for the years ended December 31, 2021 and 2020 are as follows.

① 2021

(in millions of Korean won)					
Type	Company	Dividend income	Interest income	Interest expense	Borrowings
Controlling entity	Lotte Holdings Co., Ltd.	–	–	7,369	513,665
Associates	Lotte Chemical Corporation	24,678	–	–	–
Other related parties	Lotte Properties Hanoi Co., Ltd.	–	2,672	–	–
Total		24,678	2,672	7,369	513,665

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

② 2020

(in millions of Korean won)			
Type	Company	Dividend income	Interest income
Associates	Lotte Chemical Corporation	45,929	–
Other related parties	Lotte Properties Hanoi	–	2,711
Total		45,929	2,711

(5) Compensation for key management

Key management includes registered directors. The compensation for key management for the years ended December 31, 2021 and 2020 is as follows.

(in millions of Korean won)		
Classification	2021	2020
Short-term benefits	3,656	3,384
Post-employment benefits	484	299
Other long-term benefits	(5)	19
Total	4,135	3,702

(6) The Company keeps 8 checks (face value of 62,926 million Korean won) from Lotte Engineering & Construction Co., Ltd. in connection with construction performance guarantees.

(7) The Company has a fund replenishment agreement with the major shareholders, L-Incheon First Co., Ltd. and L-Incheon Second Co., Ltd., in relation to the long-term borrowings (principal amount of 800,000 million Korean won, and matures of 60 months from February 23, 2018) of Lotte Incheon Development Co., Ltd. as of December 31, 2021. If the Company is unable to meet the conditions of credit rating maintenance and asset disposal restrictions stipulated by the fund replenishment agreement of Lotte Incheon Development Co., Ltd., an event of default may occur.

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

39. Business combination

To create new sales and promote synergies with existing businesses, the Company acquired the asset management business and shared office business from Lotte Asset Development Co., Ltd. on February 1, 2021.

(1) The fair value of consideration transferred in business combination is as follows.

(in millions of Korean won)	
Classification	Amount
Cash	6,936

(2) The fair values of assets acquired, and liabilities assumed on the acquisition date from business combination are as follows.

(in millions of Korean won)	
Classification	Amount
Fair value of identifiable assets	33,052
Current assets	651
Trade receivables	598
Other receivables	27
Other current assets	26
Non-current assets	32,401
Property and equipment	1,557
Intangible assets	299
Right-of-use assets	22,388
Long-term financial assets	7,159
Deposits	998
Fair value of identifiable liabilities	23,966
Current liabilities	4,106
Payables	690
Accrued expenses	56
Deposits	894
Other current liabilities	134

**Lotte Property & Development Co., Ltd.**  
**Notes to the Financial Statements, (continued)**

December 31, 2021 and 2020

(in millions of Korean won)	
Classification	Amount
Short-term lease liabilities	2,332
Non-current liabilities	19,860
Long-term lease liabilities	19,810
Other non-current liabilities	50
Fair value of identifiable net assets	9,086

(3) Gain on bargain purchase from business combinations for the year ended December 31, 2021 is as follows.

(in millions of Korean won)	
Classification	Amount
Consideration transferred	6,936
Less: Fair value of identifiable net assets	9,086
Gain on bargain purchase	2,150

(4) Net cash outflows from business combinations are as follows.

(in millions of Korean won)	
Classification	Amount
Less: Acquired cash and cash equivalents	–
Consideration paid in cash	6,936
Net cash outflows	6,936

40. Subsequent events

The Company has decided to extend the maturity of the loan of USD 50,000,000 to Lotte Properties Hanoi, a related party, by three months from February 25, 2022 to May 25, 2022.

## **Independent Auditors' Review Report**

To the Shareholder and Board of Directors  
Kookmin Bank

### **Reviewed financial statements**

We have reviewed the accompanying condensed consolidated interim financial statements of Kookmin Bank and its subsidiaries (collectively the "Group"), which comprise the condensed consolidated interim statement of financial position as of March 31, 2022, the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2022 and 2021 and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### **Auditors' review responsibility**

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

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

### **Conclusion**

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

### **Emphasis of matter**

As described in note 30.3 (b) to the consolidated financial statements, the proliferation of COVID-19 has had a negative influence on the global economy, which may have an impact on the expected credit losses and potential impairment of assets in a particular portfolio, and it could negatively affect the profit generation capability of the Group. Our opinion is not modified in respect of this matter.

**Other matters**

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

The statement of financial position of the Group as of December 31, 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 10, 2022, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2021, presented for comparative purposes, is not different from that audited by us from which it was derived in all material respects.

/s/ KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.

Seoul, Korea

May 13, 2022

This report is effective as of May 13, 2022, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

**Kookmin Bank and Subsidiaries**  
**Consolidated Interim Statements of Financial Position**  
**March 31, 2022 (Unaudited) and December 31, 2021**

(In millions of Korean won)

	Notes		March 31, 2022		December 31, 2021
<b>Assets</b>					
Cash and due from financial institutions	4,6,7,29	₩	22,765,861	₩	25,164,991
Financial assets at fair value through profit or loss	4,6,11		18,731,729		18,834,364
Derivative financial assets	4,6,8		4,091,603		2,965,626
Loans measured at amortized cost	4,6,9,10		366,626,706		361,144,701
Financial investments	4,6,11		66,115,548		63,744,909
Investments in associates	12		396,212		390,957
Property and equipment			3,924,836		3,933,943
Investment property			336,642		325,065
Intangible assets			1,014,005		1,028,494
Current income tax assets			126,414		61,314
Deferred income tax assets	13		163,948		149,869
Assets held for sale			210,159		237,318
Other assets	4,6		8,575,100		5,583,347
<b>Total assets</b>		₩	<b>493,078,763</b>	₩	<b>483,564,898</b>
<b>Liabilities</b>					
Financial liabilities at fair value through profit or loss	4,6	₩	179,776	₩	112,698
Derivative financial liabilities	4,6,8		3,752,126		2,749,412
Deposits	4,6,14		366,614,335		363,141,416
Borrowings	4,6,15		36,039,935		32,523,161
Debentures	4,6,16		29,096,939		29,718,734
Provisions	17		431,259		426,867
Net defined benefit liabilities	18		201,666		155,284
Current income tax liabilities			23,055		57,281
Deferred income tax liabilities	13		549,003		701,561
Other liabilities	4,6		23,760,711		21,089,571
<b>Total liabilities</b>			<b>460,648,805</b>		<b>450,675,985</b>
<b>Equity</b>					
Capital stock	19		2,021,896		2,021,896
Hybrid securities	19		574,523		574,523
Capital surplus	19		5,025,335		5,025,335
Accumulated other comprehensive income	19,27		1,003,493		1,395,156
Retained earnings	19,26		23,593,624		23,660,721
(Provision of regulatory reserve for credit losses					
March 31, 2022 : ₩ 2,915,162 million					
December 31, 2021 : ₩ 2,534,401 million)					
(Amounts estimated to be appropriated					
March 31, 2022 : ₩ 37,057 million					
December 31, 2021 : ₩ 380,761 million)					
<b>Equity attributable to the shareholder of the Parent Company</b>			<b>32,218,871</b>		<b>32,677,631</b>
<b>Non-controlling interests</b>			<b>211,087</b>		<b>211,282</b>
<b>Total equity</b>			<b>32,429,958</b>		<b>32,888,913</b>
<b>Total liabilities and equity</b>		₩	<b>493,078,763</b>	₩	<b>483,564,898</b>

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



**Kookmin Bank and Subsidiaries**  
**Consolidated Interim Statements of Comprehensive Income**  
**Three-Month Periods Ended March 31, 2022 and 2021 (Unaudited)**

<i>(In millions of Korean won)</i>	Notes	2022	2021
Interest income		₩ 3,078,677	₩ 2,543,606
Interest income from financial instruments at fair value through other comprehensive income and amortized cost		3,025,820	2,505,687
Interest income from financial instruments at fair value through profit or loss		52,857	37,919
Interest expense		(939,114)	(734,604)
<b>Net interest income</b>	20	<u>2,139,563</u>	<u>1,809,002</u>
Fee and commission income		367,559	404,605
Fee and commission expense		(96,777)	(87,714)
<b>Net fee and commission income</b>	21	<u>270,782</u>	<u>316,891</u>
<b>Net gains on financial instrument at fair value through profit or loss</b>	22	<u>32,047</u>	<u>128,326</u>
<b>Net other operating expenses</b>	23	<u>(198,019)</u>	<u>(221,601)</u>
<b>General and administrative expenses</b>	24	<u>(1,020,882)</u>	<u>(1,024,640)</u>
<b>Operating income before provision for credit losses</b>		<u>1,223,491</u>	<u>1,007,978</u>
Provision for credit losses	7,10,11,17	(11,795)	(56,595)
<b>Net operating income</b>		<u>1,211,696</u>	<u>951,383</u>
Share of profit (loss) of associates		(734)	37,202
Net other non-operating income (expenses)		4,479	(17,320)
<b>Net non-operating income</b>		<u>3,745</u>	<u>19,882</u>
<b>Profit before income tax expense</b>		<u>1,215,441</u>	<u>971,265</u>
Income tax expense	25	(240,915)	(280,698)
<b>Profit for the period</b>		<u>974,526</u>	<u>690,567</u>
(Adjusted profit after provision of regulatory reserve for credit losses	19		
March 31, 2022 : ₩ 940,218 million			
March 31, 2021 : ₩ 647,116 million)			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of net defined benefit liabilities		(8,275)	(2,474)
Gains (losses) on equity securities at fair value through other comprehensive income		(211,520)	28,450
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences		65,917	87,546
Losses on debt securities at fair value through other comprehensive income		(222,652)	(80,551)
Share of other comprehensive income of associates		177	339
Losses on hedging instruments of net investments in foreign operations		(19,700)	(30,424)
Gains on cash flow hedging instruments		6,689	2,377
<b>Other comprehensive income (loss) for the period, net of tax</b>	27	<u>(389,364)</u>	<u>5,263</u>
<b>Total comprehensive income for the period</b>		<u>₩ 585,162</u>	<u>₩ 695,830</u>
<b>Profit attributable to:</b>			
Shareholder of the Parent Company		₩ 977,275	₩ 688,493
Non-controlling interests		(2,749)	2,074
		<u>₩ 974,526</u>	<u>₩ 690,567</u>
<b>Total comprehensive income for the period attributable to:</b>			
Shareholder of the Parent Company		₩ 585,357	₩ 684,116
Non-controlling interests		(195)	11,714
		<u>₩ 585,162</u>	<u>₩ 695,830</u>

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

**Kookmin Bank and Subsidiaries**  
**Consolidated Interim Statements of Changes in Equity**  
**Three-Month Periods Ended March 31, 2022 and 2021 (Unaudited)**

	Attributable to the shareholder of the Parent Company						
	Capital stock	Hybrid securities	Capital surplus	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
<i>(In millions of Korean won)</i>							
<b>Balance as of January 1, 2021</b>	₩ 2,021,896	₩ 574,523	₩ 4,808,482	₩ 494,445	₩ 22,243,552	₩ 265,176	₩ 30,408,074
<b>Comprehensive income for the period</b>							
Profit for the period	-	-	-	-	688,493	2,074	690,567
Remeasurements of net defined benefit liabilities through other comprehensive income	-	-	-	(2,361)	-	(113)	(2,474)
Currency translation differences	-	-	-	214,283	(185,833)	-	28,450
Gains (losses) on debt securities at fair value through other comprehensive income	-	-	-	79,333	-	8,213	87,546
Share of other comprehensive income of associates	-	-	-	(82,091)	-	1,540	(80,551)
Losses on hedging instruments of net investments in foreign operations	-	-	-	339	-	-	339
Gains on cash flow hedging instruments	-	-	-	(30,424)	-	-	(30,424)
	-	-	-	2,377	-	-	2,377
<b>Total comprehensive income for the period</b>	-	-	-	181,456	502,660	11,714	695,830
<b>Transactions with the shareholder</b>							
Dividends	-	-	-	-	(917,941)	-	(917,941)
Dividends on hybrid securities	-	-	-	-	(11,831)	-	(11,831)
<b>Total transactions with the shareholder</b>	-	-	-	-	(929,772)	-	(929,772)
<b>Balance as of March 31, 2021</b>	₩ 2,021,896	₩ 574,523	₩ 4,808,482	₩ 675,901	₩ 21,816,440	₩ 276,890	₩ 30,174,132
<b>Balance as of January 1, 2022</b>	₩ 2,021,896	₩ 574,523	₩ 5,025,335	₩ 1,395,156	₩ 23,660,721	₩ 211,282	₩ 32,888,913
<b>Comprehensive income for the period</b>							
Profit for the period	-	-	-	-	977,275	(2,749)	974,526
Remeasurements of net defined benefit liabilities through other comprehensive income	-	-	-	(8,640)	-	365	(8,275)
Currency translation differences	-	-	-	(211,265)	(255)	-	(211,520)
Losses on debt securities at fair value through other comprehensive income	-	-	-	62,712	-	3,205	65,917
Share of other comprehensive income of associates	-	-	-	(221,636)	-	(1,016)	(222,652)
Losses on hedging instruments of net investments in foreign operations	-	-	-	177	-	-	177
Gains on cash flow hedging instruments	-	-	-	(19,700)	-	-	(19,700)
	-	-	-	6,689	-	-	6,689
<b>Total comprehensive income for the period</b>	-	-	-	(391,663)	977,020	(195)	585,162
<b>Transactions with the shareholder</b>							
Dividends	-	-	-	-	(1,031,167)	-	(1,031,167)
Dividends on hybrid securities	-	-	-	-	(12,950)	-	(12,950)
<b>Total transactions with the shareholder</b>	-	-	-	-	(1,044,117)	-	(1,044,117)
<b>Balance as of March 31, 2022</b>	₩ 2,021,896	₩ 574,523	₩ 5,025,335	₩ 1,003,493	₩ 23,593,624	₩ 211,087	₩ 32,429,958

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

**Kookmin Bank and Subsidiaries**  
**Consolidated Interim Statements of Cash Flows**  
**Three-Month Periods Ended March 31, 2022 and 2021 (Unaudited)**

(In millions of Korean won)

	Notes	2022	2021
<b>Cash flows from operating activities</b>			
Profit for the period	₩	974,526	₩ 690,567
Adjustment for non-cash items			
Net gains on financial instruments at fair value through profit or loss		(10,697)	(43,079)
Net losses (gains) on derivative financial instrument for hedging purposes		(29,270)	54,306
Provision for credit losses		11,795	57,005
Net losses (gains) on financial investments		486	(44,468)
Share of loss (profit) of associates		735	(37,203)
Depreciation and amortization expense		126,260	134,570
Other net losses (gains) on property and equipment/intangible assets		(15,280)	2,034
Share-based payment		7,069	10,917
Post-employment benefits		40,472	39,205
Net interest expense		54,739	111,199
Losses on foreign currency translation		329,632	115,417
Other expenses (income)		46,205	(38,755)
		<u>562,146</u>	<u>361,148</u>
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss		401,530	(134,053)
Derivative financial instrument		37,030	(15,290)
Loans measured at amortized cost		(4,977,387)	(4,411,187)
Current income tax assets		(60,189)	7,993
Deferred income tax assets		(13,807)	(10,309)
Other assets		(1,073,207)	(8,942,962)
Financial liabilities at fair value through profit or loss		58,284	(34,594)
Deposits		3,010,460	2,072,269
Deferred income tax liabilities		16,034	157,641
Other liabilities		2,391,291	6,929,600
		<u>(209,961)</u>	<u>(4,380,892)</u>
<b>Net cash inflow (outflow) from operating activities</b>		<u>1,326,711</u>	<u>(3,329,177)</u>
<b>Cash flows from investing activities</b>			
Net cash flows from derivative financial instrument for hedging purposes		503	1,356
Disposal of financial assets at fair value through profit or loss		1,604,395	1,078,243
Acquisition of financial assets at fair value through profit or loss		(1,970,100)	(1,548,551)
Disposal of financial investments		2,829,446	18,134,664
Acquisition of financial investments		(6,019,970)	(14,713,911)
Disposal of investments in associates		15,002	161,164
Acquisition of investments in associates		(20,748)	(10,169)
Disposal of property and equipment		634	15,455
Acquisition of property and equipment		(38,902)	(33,580)
Acquisition of intangible assets		(16,206)	(16,611)
Net cash flows from changes in ownership of subsidiaries		34,795	3
Others		40,180	2,689
		<u>(3,540,971)</u>	<u>3,070,752</u>
<b>Net cash inflow (outflow) from investing activities</b>		<u>(3,540,971)</u>	<u>3,070,752</u>
<b>Cash flows from financing activities</b>			
Net cash flows from derivative financial instrument for hedging purposes		27,803	(21,051)
Increase in borrowings		3,245,032	874,032
Increase in debentures		3,192,621	4,264,508
Decrease in debentures		(3,854,493)	(5,123,445)
Payment of dividends		(1,031,167)	(917,941)
Increase (decrease) in other payables to trust accounts		(218,148)	830,570
Others		254,274	(175,824)
		<u>1,615,922</u>	<u>(269,151)</u>
<b>Net cash inflow (outflow) from financing activities</b>		<u>1,615,922</u>	<u>(269,151)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<u>76,368</u>	<u>105,999</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(521,970)</u>	<u>(421,577)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	29	6,997,191	6,804,298
<b>Cash and cash equivalents at the end of the period</b>	29	<u>₩ 6,475,221</u>	<u>₩ 6,382,721</u>

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

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2022 and 2021 (Unaudited), and December 31, 2021**

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**1. Reporting Entity**

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

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

The Bank listed its shares on the Stock Market Division of the Korea Exchange (“KRX”) in September 1994. As a result of the merger with H&CB, the shareholders of the former Kookmin Bank and H&CB received new common shares of the Bank which were relisted on the KRX on November 9, 2001. In addition, H&CB listed its American Depositary Shares (“ADS”) on the New York Stock Exchange (“NYSE”) on October 3, 2000, prior to the merger. Following the merger with H&CB, the Bank listed its ADS on the NYSE on November 1, 2001. The Bank became a wholly owned subsidiary of KB Financial Group Inc. through a comprehensive stock transfer on September 29, 2008. Subsequently, the Bank’s shares and its ADS, each listed on the KRX and the NYSE, were delisted on October 10, 2008 and September 26, 2008, respectively. As of March 31, 2022, the Bank’s paid-in capital is ₩ 2,021,896 million.

The Bank engages in the banking business in accordance with the Banking Act, trust business in accordance with the Financial Investment Services and Capital Markets Act, mobile virtual network business in accordance with Special Act on Support for Financial Innovation, and other relevant businesses. As of March 31, 2022, the Bank operates its Seoul headquarters and 876 domestic branches, and nine overseas branches (excluding six subsidiaries and one office).

**2. Basis of Preparation**

**2.1 Application of Korean IFRS**

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

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

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. Management also needs to exercise judgment in applying the Group’s accounting policies. The areas that require a more complex and higher level of judgment or areas that require significant assumptions and estimations are disclosed in Note 2.4.

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2022 and 2021 (Unaudited), and December 31, 2021**

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The Group's consolidated interim financial statements for the three-month period ended March 31, 2022, have been prepared in accordance with Korean IFRS No.1034 *Interim Financial Reporting* and contain less information than is required in annual consolidated financial statements. Selected explanatory notes include descriptions of transactions or events that are significant in understanding change in financial position and financial performance of the Group since the end of the previous annual reporting period. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as of March 31, 2022.

2.1.1 The Group has applied the following amended standards for the first time for its annual reporting period commencing January 1, 2022.

*- Amendments to Korean IFRS No.1116 Leases - COVID-19-Related Rent Concessions, etc. 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 30 June 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. These amendments do not have a significant impact on the consolidated financial statements.

*- Amendments to Korean IFRS No.1103 Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities to qualify for recognition as part of a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korean IFRS No.1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS No.2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. These amendments do not have a significant impact on the consolidated financial statements.

*- Amendments to Korean IFRS No.1016 Property, Plant and Equipment - Proceeds Before Intended Use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, as profit or loss. These amendments do not have a significant impact on the consolidated financial statements.

*- Amendments to Korean IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Cost of Fulfilling a Contract*

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. These amendments do not have a significant impact on the consolidated financial statements.

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2022 and 2021 (Unaudited), and December 31, 2021**

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*- Annual improvements to Korean IFRS 2018-2020*

These amendments do not have a significant impact on the consolidated financial statements.

- Korean IFRS No.1101 *First-time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS No.1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS No.1116 *Leases* – Lease incentives
- Korean IFRS No.1041 *Agriculture* – Measuring fair value

2.1.2 The following new and amended standards have been published that are not mandatory for December 31, 2022 reporting period and have not been adopted by the Group.

*- Amendments to Korean IFRS No.1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise the right to defer settlement of the liability or the management's expectations thereof. Also, the settlement of liability includes the transfer of the entity's own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

*- Issuance of Korean IFRS No.1117 Insurance Contracts*

Korean IFRS No.1117 *Insurance Contracts* will replace Korean IFRS No.1104 *Insurance Contracts*. This standard requires an entity to estimate future cash flows of an insurance contract and measure insurance liabilities using discount rates applied with assumptions and risks at the measurement date and recognize insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual reporting period. In addition, investment components (refunds due to termination and maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and net insurance income and net investment income are presented separately to enable users of the information to understand the sources of net income. This standard should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS No.1109 *Financial Instruments*. The Group is scheduled to apply this standard for annual reporting period beginning on January 1, 2023. The Group does not expect that this new standard has a significant impact on the consolidated financial statements.

*- Amendments to Korean IFRS No.1001 Presentation of Financial Statements – Accounting Policy Disclosure*

The amendments require an entity to define and disclose their material accounting policy information. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2022 and 2021 (Unaudited), and December 31, 2021**

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*- Amendments to Korean IFRS No.1008 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

The amendments introduce the definition of accounting estimates and clarify how to distinguish changes in accounting estimates from changes in accounting policies. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

*- Amendments to Korean IFRS No.1012 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

The amendments narrow the scope of the deferred tax recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

## **2.2 Measurement Basis**

The consolidated financial statements have been prepared based on the historical cost accounting model unless otherwise specified.

## **2.3 Functional and Presentation Currency**

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are presented in Korean won, which is the reporting entity’s functional and presentation currency.

## **2.4 Critical Accounting Estimates**

The Group applies accounting policies and uses judgements, accounting estimates, and assumptions that may have a significant impact on the assets (liabilities) and incomes (expenses) in preparing the consolidated financial statements. Management’s estimates of outcomes may differ from actual outcomes if management’s estimates and assumptions based on management’s best judgment are different from the actual environment.

Estimates and underlying assumptions are continually evaluated, and changes in accounting estimates are recognized in the period in which the estimates are changed and in any future periods affected.

Significant accounting estimates and assumptions applied in the preparation of these condensed consolidated interim financial statements are the same as those applied to the consolidated financial statements for the year ended December 31, 2021, except for the estimates used to determine income tax expense.

## **3. Significant Accounting Policies**

The significant accounting policies and calculation methods applied in the preparation of these consolidated interim financial statements are the same as those applied to the consolidated financial statements for the year ended December 31, 2021, except for the impact of changes due to adopting new and amended standards and interpretations described in Note 2.1 and below paragraph.

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

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**4. Financial Risk Management**

4.1 Summary

4.1.1 Overview of financial risk management policy

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

This note regarding financial risk management provides information about the risks that the Group is exposed to and about its objectives, policies, risk assessment and management procedures, and capital management. Additional quantitative information is disclosed throughout the consolidated financial statements.

The Group's risk management system focuses on efficiently supporting long-term strategy and management decisions of each business group through increased risk transparency, spread of risk management culture, prevention of risk transfer between risk types, and preemptive response to rapidly changing financial environments. Credit risk, market risk, liquidity risk, and operational risk are recognized as the Group's significant risks and measured and managed by quantifying them in the form of internal capital or Value at Risk ("VaR") using statistical methods.

4.1.2 Risk management organization

4.1.2.1 Risk Management Committee

The Risk Management Committee, as the ultimate decision-making body, approves risk-related issues, such as establishing risk management strategies in accordance with the strategic direction determined by the board of directors, determining the affordable level of risk appetite, and reviewing the level of risk and the status of risk management activities.

4.1.2.2 Risk Management Council

The Risk Management Council deliberates on and resolves matters delegated by the Risk Management Committee and discusses the details of risk management of the Group.

4.1.2.3 Risk Management Subcommittees

The Risk Management Subcommittee implements decisions made by the Risk Management Council and makes practical decisions regarding the implementation of risk management policies and procedures.

- Credit Risk Management Subcommittee

The Credit Risk Management Subcommittee conducts deliberation and resolution on new approval of non-standard and compound instruments with embedded credit risks, review of credit risks for new products with credit risks, and establishment of exposure limits by industry.

- Market Risk Management Subcommittee

The Market Risk Management Subcommittee conducts deliberation and resolution on market risk-related matters, such as setting limits on market risk and approving detailed investment standards for new standard, non-standard and compound products.

- Operational Risk Management Subcommittee

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



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- Trust & Fund Customer Asset Risk Management Subcommittee

The Trust & Fund Customer Asset Risk Management Subcommittee reviews the issues that have a significant effect on the trust & fund customer asset risk management such as setting limits on trust & fund customer assets.

4.1.2.4 Risk Management Group

The Risk Management Group manages detailed risk management policies, procedures, and business processes.

4.2 Credit Risk

4.2.1 Overview of credit risk

Credit risk is the risk of loss from the portfolio of assets held due to the counterparty's default, breach of contract, and deterioration of credit quality. For risk management reporting purposes, the Group considers all factors of credit risk exposure, such as default risk of individual borrowers, country risk, and risk of specific sectors. The Group defines default as the definition applied to the calculation of Capital Adequacy Ratio under the new Basel Accord (Basel III).

4.2.2 Credit risk management

The Group measures the expected loss and internal capital for the assets subject to credit risk management, including on-balance and off-balance assets, and uses them as management indicators. The Group allocates and manages credit risk internal capital limits.

In addition, to prevent excessive concentration of exposures by borrower and industry, the total exposure limit at the Group level is introduced, applied, and managed to control the credit concentration risk.

All of the Group's loan customers (individuals and corporates) are assigned a credit rating and managed by a comprehensive internal credit evaluation system. For individuals, the credit rating is evaluated by utilizing personal information, income and job information, asset information, and bank transaction information. For corporates, the credit rating is evaluated by analyzing and utilizing financial and non-financial information which measures current and future corporate value and ability to repay the debt. Also, the extent to which corporates have the ability to meet debt obligations is comprehensively considered.

The credit rating, once assigned, serves as the fundamental instrument in the Group's credit risk management, and is applied in a wide range of credit risk management processes, including credit approval, credit limit management, loan pricing, and assessment of allowances for credit losses. For corporates, the Group conducts a regular credit evaluation at least once a year, and the review and supervision departments regularly validate the adequacy of credit ratings to manage credit risks.

In order to establish a credit risk management system, the Group manages credit risk by forming a separate risk management organization. In particular, independently of the Sales Group, the Credit Management & Analysis Group, Retail Customer Group and SME/SOHO Customer Group are in charge of loan policy, loan system, credit rating, credit analysis, follow-up management, and corporate restructuring. The Risk Management Group is responsible for establishing policies on credit risk management, measuring and limiting internal capital of credit risk, setting credit limits, credit review, and verification of credit rating models.

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4.2.3 Maximum exposure to credit risk

The Group's maximum exposures to credit risk without consideration of collateral values in relation to financial instruments other than equity securities as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Financial assets</b>		
Due from financial institutions <sup>1</sup>	20,080,868	22,520,401
Financial assets at fair value through profit or loss:		
Securities measured at fair value through profit or loss	18,391,591	18,513,088
Loans measured at fair value through profit or loss	111,026	93,930
Due from financial institutions measured at fair value through profit or loss	104,076	113,622
Derivatives	4,091,603	2,965,626
Loans measured at amortized cost <sup>1</sup>	366,626,706	361,144,701
Financial investments:		
Securities measured at fair value through other comprehensive income	38,142,944	38,140,906
Securities measured at amortized cost <sup>1</sup>	24,819,772	22,164,594
Loans measured at fair value through other comprehensive income	274,642	269,609
Other financial assets <sup>1</sup>	8,226,183	5,277,227
	<u>480,869,411</u>	<u>471,203,704</u>
<b>Off-balance sheet items <sup>2</sup></b>		
Acceptances and guarantees contracts	10,477,007	10,212,730
Financial guarantee contracts	6,007,142	6,021,250
Commitments	98,481,052	97,135,905
	<u>114,965,201</u>	<u>113,369,885</u>
	<u>595,834,612</u>	<u>584,573,589</u>

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

<sup>2</sup> For details of related provisions, see Note 17.

4.2.4 Credit risk of loans

The Group maintains allowances for loan losses associated with credit risk of loans to manage its credit risk.

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

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4.2.4.1 Credit risk exposure

Credit qualities of loans as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

March 31, 2022						
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non- impaired	Impaired			
<b>Loans measured at amortized cost *</b>						
<b>Corporate</b>						
Grade 1	108,174,232	5,181,364	1,292	-	-	113,356,888
Grade 2	64,357,019	7,839,445	3,237	-	-	72,199,701
Grade 3	4,922,372	2,736,953	2,120	-	-	7,661,445
Grade 4	540,637	966,062	8,124	-	-	1,514,823
Grade 5	11,373	346,817	1,991,453	-	-	2,349,643
	<u>178,005,633</u>	<u>17,070,641</u>	<u>2,006,226</u>	<u>-</u>	<u>-</u>	<u>197,082,500</u>
<b>Retail</b>						
Grade 1	155,535,009	4,349,915	10,258	-	-	159,895,182
Grade 2	4,147,584	4,030,941	11,440	-	-	8,189,965
Grade 3	851,693	1,172,699	5,743	-	-	2,030,135
Grade 4	38,366	151,753	2,800	-	-	192,919
Grade 5	569,279	334,174	625,315	-	-	1,528,768
	<u>161,141,931</u>	<u>10,039,482</u>	<u>655,556</u>	<u>-</u>	<u>-</u>	<u>171,836,969</u>
<b>Credit card</b>						
Grade 1	-	-	-	-	-	-
Grade 2	30,067	-	-	-	-	30,067
Grade 3	-	-	-	-	-	-
Grade 4	1,472	-	-	-	-	1,472
Grade 5	-	-	21,474	-	-	21,474
	<u>31,539</u>	<u>-</u>	<u>21,474</u>	<u>-</u>	<u>-</u>	<u>53,013</u>
	<u>339,179,103</u>	<u>27,110,123</u>	<u>2,683,256</u>	<u>-</u>	<u>-</u>	<u>368,972,482</u>
<b>Loans measured at fair value through other comprehensive income</b>						
<b>Corporate</b>						
Grade 1	193,489	-	-	-	-	193,489
Grade 2	81,153	-	-	-	-	81,153
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	<u>274,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,642</u>
	<u>274,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,642</u>
	<u>339,453,745</u>	<u>27,110,123</u>	<u>2,683,256</u>	<u>-</u>	<u>-</u>	<u>369,247,124</u>

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(In millions of Korean won)

December 31, 2021						
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non- impaired	Impaired			
<b>Loans measured at amortized cost *</b>						
<b>Corporate</b>						
Grade 1	103,439,876	4,787,901	3,583	-	-	108,231,360
Grade 2	62,433,823	7,488,667	4,321	-	-	69,926,811
Grade 3	4,622,781	2,794,294	2,489	-	-	7,419,564
Grade 4	479,723	1,025,557	7,548	-	-	1,512,828
Grade 5	12,851	351,420	2,082,350	-	-	2,446,621
	<u>170,989,054</u>	<u>16,447,839</u>	<u>2,100,291</u>	<u>-</u>	<u>-</u>	<u>189,537,184</u>
<b>Retail</b>						
Grade 1	157,931,555	4,297,133	10,972	-	-	162,239,660
Grade 2	4,174,715	4,066,176	12,202	-	-	8,253,093
Grade 3	762,603	1,128,603	8,161	-	-	1,899,367
Grade 4	38,566	140,041	3,134	-	-	181,741
Grade 5	494,814	305,052	605,210	-	-	1,405,076
	<u>163,402,253</u>	<u>9,937,005</u>	<u>639,679</u>	<u>-</u>	<u>-</u>	<u>173,978,937</u>
<b>Credit card</b>						
Grade 1	-	-	-	-	-	-
Grade 2	32,376	-	-	-	-	32,376
Grade 3	935	-	-	-	-	935
Grade 4	-	-	-	-	-	-
Grade 5	-	-	22,209	-	-	22,209
	<u>33,311</u>	<u>-</u>	<u>22,209</u>	<u>-</u>	<u>-</u>	<u>55,520</u>
	<u>334,424,618</u>	<u>26,384,844</u>	<u>2,762,179</u>	<u>-</u>	<u>-</u>	<u>363,571,641</u>
<b>Loans measured at fair value through other comprehensive income</b>						
<b>Corporate</b>						
Grade 1	189,872	-	-	-	-	189,872
Grade 2	79,737	-	-	-	-	79,737
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	<u>269,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,609</u>
	<u>269,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,609</u>
	<u>334,694,227</u>	<u>26,384,844</u>	<u>2,762,179</u>	<u>-</u>	<u>-</u>	<u>363,841,250</u>

\* Before netting of allowance

Credit qualities of loans graded according to internal credit ratings as of March 31, 2022 and December 31, 2021, are as follows:

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

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4.2.4.2 Credit risk mitigation by collateral

Quantification of the extent to which collateral and other credit enhancements mitigate credit risk of loans as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

	<b>March 31, 2022</b>					
	<b>12-month expected credit losses</b>	<b>Lifetime expected credit losses</b>		<b>Credit impaired approach</b>	<b>Not applying expected credit losses</b>	<b>Total</b>
		<b>Non- impaired</b>	<b>Impaired</b>			
Guarantees	91,406,705	6,754,406	351,831	-	-	98,512,942
Deposits and savings	1,675,834	152,746	61,568	-	-	1,890,148
Property and equipment	4,664,361	349,415	212,447	-	-	5,226,223
Real estate	182,134,202	14,213,499	1,898,036	-	-	198,245,737
	<u>279,881,102</u>	<u>21,470,066</u>	<u>2,523,882</u>	<u>-</u>	<u>-</u>	<u>303,875,050</u>

(In millions of Korean won)

	<b>December 31, 2021</b>					
	<b>12-month expected credit losses</b>	<b>Lifetime expected credit losses</b>		<b>Credit impaired approach</b>	<b>Not applying expected credit losses</b>	<b>Total</b>
		<b>Non- impaired</b>	<b>Impaired</b>			
Guarantees	89,847,133	6,586,809	391,042	-	-	96,824,984
Deposits and savings	1,606,882	98,380	75,674	-	-	1,780,936
Property and equipment	4,364,540	327,722	279,961	-	-	4,972,223
Real estate	177,948,425	13,477,437	1,953,759	-	-	193,379,621
	<u>273,766,980</u>	<u>20,490,348</u>	<u>2,700,436</u>	<u>-</u>	<u>-</u>	<u>296,957,764</u>

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4.2.5 Credit risk of securities

Credit qualities of securities exposed to credit risk other than equity securities among financial investments as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

March 31, 2022						
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non- impaired	Impaired			
<b>Securities measured at amortized cost *</b>						
Grade 1	23,735,213	-	-	-	-	23,735,213
Grade 2	1,080,415	-	-	-	-	1,080,415
Grade 3	-	7,790	-	-	-	7,790
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	<u>24,815,628</u>	<u>7,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,823,418</u>
<b>Securities measured at fair value through other comprehensive income</b>						
Grade 1	35,699,108	-	-	-	-	35,699,108
Grade 2	2,371,548	-	-	-	-	2,371,548
Grade 3	49,975	3,969	-	-	-	53,944
Grade 4	18,344	-	-	-	-	18,344
Grade 5	-	-	-	-	-	-
	<u>38,138,975</u>	<u>3,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,142,944</u>
	<u>62,954,603</u>	<u>11,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,966,362</u>

(In millions of Korean won)

December 31, 2021						
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non- impaired	Impaired			
<b>Securities measured at amortized cost *</b>						
Grade 1	21,219,056	-	-	-	-	21,219,056
Grade 2	935,607	-	-	-	-	935,607
Grade 3	5,588	7,641	-	-	-	13,229
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	<u>22,160,251</u>	<u>7,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,167,892</u>
<b>Securities measured at fair value through other comprehensive income</b>						
Grade 1	35,690,767	-	-	-	-	35,690,767
Grade 2	2,377,924	-	-	-	-	2,377,924
Grade 3	29,108	3,973	-	-	-	33,081
Grade 4	39,134	-	-	-	-	39,134
Grade 5	-	-	-	-	-	-
	<u>38,136,933</u>	<u>3,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,140,906</u>
	<u>60,297,184</u>	<u>11,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,308,798</u>

\* Before netting of allowance

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Credit qualities of securities other than equity securities, according to the credit ratings by external credit rating agencies as of March 31, 2022 and December 31, 2021, are as follows:

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

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

4.2.6 Credit risk of due from financial institutions

Credit qualities of due from financial institutions as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

March 31, 2022					
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Total
		Non-impaired	Impaired		
Due from financial institutions measured at amortized cost *					
Grade 1	18,858,375	-	-	-	18,858,375
Grade 2	729,527	-	-	-	729,527
Grade 3	17,182	-	-	-	17,182
Grade 4	467,763	-	-	-	467,763
Grade 5	11,180	-	-	-	11,180
	20,084,027	-	-	-	20,084,027

(In millions of Korean won)

December 31, 2021					
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Total
		Non-impaired	Impaired		
Due from financial institutions measured at amortized cost *					
Grade 1	20,705,356	-	-	-	20,705,356
Grade 2	1,305,500	-	-	-	1,305,500
Grade 3	61,177	-	-	-	61,177
Grade 4	439,511	-	-	-	439,511
Grade 5	10,984	-	-	-	10,984
	22,522,528	-	-	-	22,522,528

\* Before netting of allowance

The classification criteria of the credit qualities of due from financial institutions as of March 31, 2022 and December 31, 2021, are the same as the criteria for securities other than equity securities.

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4.2.7 Credit risk concentration analysis

4.2.7.1 Classifications of corporate loans by industry as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

<b>March 31, 2022</b>				
	<b>Loans *</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Financial institutions	17,056,899	8.64	(13,648)	17,043,251
Manufacturing	51,316,393	25.99	(518,526)	50,797,867
Service	85,155,223	43.12	(406,443)	84,748,780
Wholesale and retail	27,250,119	13.80	(256,769)	26,993,350
Construction	4,619,601	2.34	(223,420)	4,396,181
Public sector	1,842,451	0.93	(82,956)	1,759,495
Others	10,227,481	5.18	(156,878)	10,070,603
	<b>197,468,167</b>	<b>100.00</b>	<b>(1,658,640)</b>	<b>195,809,527</b>

(In millions of Korean won)

<b>December 31, 2021</b>				
	<b>Loans *</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Financial institutions	18,037,439	9.50	(13,657)	18,023,782
Manufacturing	48,190,687	25.38	(502,209)	47,688,478
Service	80,868,551	42.58	(387,437)	80,481,114
Wholesale and retail	26,108,596	13.75	(246,687)	25,861,909
Construction	4,387,199	2.31	(202,627)	4,184,572
Public sector	1,832,305	0.96	(94,668)	1,737,637
Others	10,475,946	5.52	(289,934)	10,186,012
	<b>189,900,723</b>	<b>100.00</b>	<b>(1,737,219)</b>	<b>188,163,504</b>

\* Expected credit losses of loans measured at fair value through other comprehensive income as of March 31, 2022 and December 31, 2021, are ₩ 689 million and ₩ 675 million, respectively.

4.2.7.2 Classifications of retail loans and credit card receivables as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

<b>March 31, 2022</b>				
	<b>Loans</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Housing loan	92,538,583	53.84	(69,253)	92,469,330
General loan	79,298,387	46.13	(597,548)	78,700,839
Credit card	53,013	0.03	(20,335)	32,678
	<b>171,889,983</b>	<b>100.00</b>	<b>(687,136)</b>	<b>171,202,847</b>

(In millions of Korean won)

<b>December 31, 2021</b>				
	<b>Loans</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Housing loan	93,249,089	53.58	(68,753)	93,180,336
General loan	80,729,848	46.39	(600,372)	80,129,476
Credit card	55,520	0.03	(20,596)	34,924
	<b>174,034,457</b>	<b>100.00</b>	<b>(689,721)</b>	<b>173,344,736</b>



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4.2.7.3 Classifications of domestic mortgage loans as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

	<b>March 31, 2022</b>			
	<b>Loans *</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Group1	16,585,984	17.11	(9,619)	16,576,365
Group2	39,777,044	41.02	(10,992)	39,766,052
Group3	31,925,230	32.93	(10,954)	31,914,276
Group4	8,516,080	8.78	(5,927)	8,510,153
Group5	148,935	0.15	(240)	148,695
Group6	9,680	0.01	(87)	9,593
	<b>96,962,953</b>	<b>100.00</b>	<b>(37,819)</b>	<b>96,925,134</b>

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Loans *</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Group1	16,780,623	17.13	(10,465)	16,770,158
Group2	39,583,150	40.41	(10,375)	39,572,775
Group3	31,772,074	32.43	(9,957)	31,762,117
Group4	9,677,419	9.88	(6,517)	9,670,902
Group5	140,182	0.14	(273)	139,909
Group6	10,328	0.01	(87)	10,241
	<b>97,963,776</b>	<b>100.00</b>	<b>(37,674)</b>	<b>97,926,102</b>

\* Retail loans for general purpose with the real estate as collateral are included.

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

\* LTV: Loan to Value ratio

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4.2.7.4 Classifications of due from financial institutions, securities other than equity securities, and derivative financial assets by industry as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

	March 31, 2022			
	Amount	%	Allowances	Carrying amount
<b>Due from financial institutions measured at amortized cost</b>				
Finance and insurance	20,084,027	100.00	(3,159)	20,080,868
	20,084,027	100.00	(3,159)	20,080,868
<b>Securities measured at fair value through profit or loss</b>				
Government and government funded institutions	3,520,212	19.14	-	3,520,212
Finance and insurance <sup>1</sup>	13,219,229	71.88	-	13,219,229
Others	1,652,150	8.98	-	1,652,150
	18,391,591	100.00	-	18,391,591
<b>Derivative financial assets</b>				
Government and government funded institutions	5,241	0.13	-	5,241
Finance and insurance <sup>1</sup>	3,918,252	95.76	-	3,918,252
Others	168,110	4.11	-	168,110
	4,091,603	100.00	-	4,091,603
<b>Securities measured at fair value through other comprehensive income <sup>2</sup></b>				
Government and government funded institutions	13,910,383	36.47	-	13,910,383
Finance and insurance	18,918,512	49.60	-	18,918,512
Others	5,314,049	13.93	-	5,314,049
	38,142,944	100.00	-	38,142,944
<b>Securities measured at amortized cost</b>				
Government and government funded institutions	13,991,925	56.37	-	13,991,925
Finance and insurance	10,609,437	42.74	(3,367)	10,606,070
Others	222,056	0.89	(279)	221,777
	24,823,418	100.00	(3,646)	24,819,772
	105,533,583		(6,805)	105,526,778

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	December 31, 2021			
	Amount	%	Allowances	Carrying amount
<b>Due from financial institutions measured at amortized cost</b>				
Finance and insurance	22,522,528	100.00	(2,127)	22,520,401
	22,522,528	100.00	(2,127)	22,520,401
<b>Securities measured at fair value through profit or loss</b>				
Government and government funded institutions	3,367,648	18.19	-	3,367,648
Finance and insurance <sup>1</sup>	12,336,217	66.64	-	12,336,217
Others	2,809,223	15.17	-	2,809,223
	18,513,088	100.00	-	18,513,088
<b>Derivative financial assets</b>				
Government and government funded institutions	6,985	0.24	-	6,985
Finance and insurance <sup>1</sup>	2,810,005	94.75	-	2,810,005
Others	148,636	5.01	-	148,636
	2,965,626	100.00	-	2,965,626
<b>Securities measured at fair value through other comprehensive income <sup>2</sup></b>				
Government and government funded institutions	13,553,504	35.54	-	13,553,504
Finance and insurance	19,463,563	51.03	-	19,463,563
Others	5,123,839	13.43	-	5,123,839
	38,140,906	100.00	-	38,140,906
<b>Securities measured at amortized cost</b>				
Government and government funded institutions	12,402,272	55.95	-	12,402,272
Finance and insurance	9,552,417	43.09	(3,075)	9,549,342
Others	213,203	0.96	(223)	212,980
	22,167,892	100.00	(3,298)	22,164,594
	104,310,040		(5,425)	104,304,615

<sup>1</sup> Collective investment securities (including transactions with collective investment schemes) are classified as finance and insurance.

<sup>2</sup> Expected credit losses of securities measured at fair value through other comprehensive income as of March 31, 2022 and December 31, 2021, are ₩ 8,079 million and ₩ 8,223 million, respectively.

Due from financial institutions, financial instruments at fair value through profit or loss linked to gold price, and derivative financial instruments are mostly related to the finance and insurance industry with high credit ratings.

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4.3 Liquidity Risk

4.3.1 Overview of liquidity risk

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

4.3.2 Liquidity risk management and indicator

The liquidity risk is managed by comprehensive risk management policies and Asset Liability Management ("ALM") risk management guidelines set forth in these policies that apply to all risk management policies and procedures that may arise throughout the overall business of the Group.

The Group establishes a liquidity risk management strategy, including objectives of liquidity risk management, management policies, and internal control systems, and obtains a resolution from the Risk Management Committee. The Risk Management Committee establishes the Risk Management Council for efficient risk management to supervise the establishment and implementation of policies according to risk management strategies.

The Group calculates and manages Liquidity Coverage Ratio ("LCR"), Net Stable Funding Ratio ("NSFR"), liquidity ratio, maturity mismatch ratio and liquidity stress testing result for all transactions and off-balance transactions, that affect the cash flows in Korean won and foreign currency funds raised and operated for the management of liquidity risks and periodically reports them to the Risk Management Council and the Risk Management Committee.

4.3.3 Analysis of remaining contractual maturity of financial liabilities

The cash flows disclosed in the maturity analysis are undiscounted contractual amounts including principal and future interest and payments; as such, amounts in the table below do not match with those in the consolidated statements of financial position which are based on discounted cash flows. The future interest payments of floating-rate liabilities are calculated on the assumption that the current interest rate is the same until maturity.

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Remaining contractual maturity of financial liabilities other than derivatives held for cash flow hedge, and off-balance sheet items as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

		March 31, 2022					
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial liabilities</b>							
Financial liabilities at fair value through profit or loss <sup>1</sup>	179,776	-	-	-	-	-	179,776
Derivatives held for trading <sup>1</sup>	3,703,716	-	-	-	-	-	3,703,716
Derivatives held for hedging <sup>2</sup>	-	(49)	(1,166)	8,277	1,050	-	8,112
Deposits <sup>3</sup>	197,463,562	18,284,166	33,772,550	108,274,453	10,739,075	1,323,784	369,857,590
Borrowings	56,418	10,746,923	4,860,433	12,563,599	7,183,478	946,389	36,357,240
Debentures	12,060	1,282,420	4,761,130	11,413,117	8,470,640	4,765,142	30,704,509
Lease liabilities	136	15,147	30,006	107,909	224,572	16,960	394,730
Other financial liabilities	-	20,029,703	952	122,671	48,958	-	20,202,284
	<u>201,415,668</u>	<u>50,358,310</u>	<u>43,423,905</u>	<u>132,490,026</u>	<u>26,667,773</u>	<u>7,052,275</u>	<u>461,407,957</u>
<b>Off-balance sheet items</b>							
Commitments <sup>4</sup>	98,481,052	-	-	-	-	-	98,481,052
Acceptances and guarantees contracts	10,477,007	-	-	-	-	-	10,477,007
Financial guarantee contracts <sup>5</sup>	6,007,142	-	-	-	-	-	6,007,142
	<u>114,965,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,965,201</u>

(In millions of Korean won)

		December 31, 2021					
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial liabilities</b>							
Financial liabilities at fair value through profit or loss <sup>1</sup>	112,698	-	-	-	-	-	112,698
Derivatives held for trading <sup>1</sup>	2,706,941	-	-	-	-	-	2,706,941
Derivatives held for hedging <sup>2</sup>	-	2,291	5,996	6,589	15,213	1,423	31,512
Deposits <sup>3</sup>	197,481,610	16,451,640	30,892,560	109,842,440	9,940,768	1,412,235	366,021,253
Borrowings	55,250	9,790,484	4,454,109	10,242,437	7,335,764	901,063	32,779,107
Debentures	14,528	1,163,009	3,233,191	12,576,806	9,468,210	4,769,756	31,225,500
Lease liabilities	139	15,672	29,838	113,617	215,641	18,616	393,523
Other financial liabilities	-	16,929,504	1,486	119,647	47,631	-	17,098,268
	<u>200,371,166</u>	<u>44,352,600</u>	<u>38,617,180</u>	<u>132,901,536</u>	<u>27,023,227</u>	<u>7,103,093</u>	<u>450,368,802</u>
<b>Off-balance sheet items</b>							
Commitments <sup>4</sup>	97,135,905	-	-	-	-	-	97,135,905
Acceptances and guarantees contracts	10,212,730	-	-	-	-	-	10,212,730
Financial guarantee contracts <sup>5</sup>	6,021,250	-	-	-	-	-	6,021,250
	<u>113,369,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,369,885</u>

<sup>1</sup> Financial liabilities at fair value through profit or loss and derivatives held for trading are not managed by contractual maturity because they are expected to be traded or redeemed before maturity. Therefore, the carrying amounts of those financial instruments are included in the 'On demand' category.

<sup>2</sup> Cash flows of derivative instruments held for hedging are shown at net amount of cash inflows and outflows by remaining contractual maturity.

<sup>3</sup> Deposits that are contractually repayable on demand or on short notice are included in the 'On demand' category.

<sup>4</sup> Unused lines of credit within commitments are included in the 'On demand' category because payments can be requested at any time.

<sup>5</sup> Cash flows under financial guarantee contracts are classified based on the earliest period that the contract can be executed.

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4.4 Market Risk

4.4.1 Concept

Market risk refers to risks that can result in losses due to changes in market factors such as interest rate, stock price, and foreign exchange rate, etc., which arise from securities, derivatives, and others. The most significant risks associated with trading positions are interest rate risk, currency risk, and additional risks include stock price risk. The non-trading position is also exposed to interest rate risk. The Group manages the market risks by dividing them into those arising from the trading position and those arising from the non-trading position.

4.4.2 Risk management

The Group sets and monitors internal capital limits for market risk and interest rate risk to manage the risks of trading and non-trading positions. In order to manage market risk efficiently, the Group maintains risk management systems and procedures such as trading policies and procedures, market risk management guidelines for trading positions, and ALM risk management guidelines for non-trading positions. The entire process is carried out through the approval by the Risk Management Council and the Risk Management Committee of the Group.

The Group's Risk Management Council establishes and enforces overall market risk management policies for market risk management and decides to establish position limits, loss limits, VaR limits, and approves non-standard new products. In addition, the Market Risk Management Subcommittee, chaired by Chief Risk Officer ("CRO"), is a practical decision-making body for market risk management and determines position limits, loss limits, VaR limits, sensitivity limits, and scenario loss limits for each department of the business group.

The Asset-Liability Management Committee ("ALCO") determines interest rate and commission operating standards and ALM operation policies and enacts and revises relevant guidelines. The Risk Management Council monitors the establishment and enforcement of ALM risk management policies and enacts and revises ALM risk management guidelines. Interest rate risk limits are set based on future asset and liability positions and expected interest rate volatility, which reflect annual business plans. The Treasury Department and the Risk Management Department regularly measure and monitor interest rate risk and report the status and limit of interest rate risk including changes in Economic Value of Equity (" $\Delta$ EVE"), changes in Net Interest Income (" $\Delta$ NII"), and duration gap to the ALCO and the Risk Management Council on a monthly basis, and to the Risk Management Committee on a quarterly basis. To ensure the adequacy of interest rate risk and liquidity risk management, the Risk Management Department assigns the limits, monitors and reviews the procedures and tasks of ALM operations conducted by the Treasury department, and reports related matters to the management independently.

The Group is closely monitoring the outputs of various industry groups and markets that manage the transition to the new interest rate benchmark, including announcements by LIBOR regulation authority and various consultative bodies related to the transition to alternative interest rate. In response to these announcements, the Group has completed most of the transition and replacement plans according to LIBOR transition programs and plans consisting of major business areas such as finance, accounting, tax, legal, IT, and risk. The program is under the control of the CFO and related matters are reported to the board of directors and consultative bodies with senior management as members. The Group continues its efforts as a market participant to actively express opinions so that the index interest rate benchmark reform can be carried out in the direction of minimizing the financial and non-financial impacts and operational risks on the Group and minimizing confusion among stakeholders.

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4.5 Operational Risk

4.5.1 Concept

The Group defines operational risk as loss risk arising from improper or incorrect internal procedures, personnel, systems or external events and includes financial and non-financial risks.

4.5.2 Risk management

The purpose of operational risk management is not only to comply with supervisory and regulatory requirements, but also to spread risk management culture, strengthen internal control, improve processes, and provide timely feedback to management and all employees. The Group established a Business Continuity Planning (BCP) to carry out continuous work in emergency situations and established alternative facilities. The Group conducts simulation training for headquarters and IT departments to check the business continuity framework.

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**5. Segment Information**

**5.1 Overall Segment Information and Business Segments**

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

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

Financial information by business segment for the three-month periods ended March 31, 2022 and 2021 and as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

	2022				
	Corporate banking	Retail banking	Others	Consolidation adjustments	Total
Net operating revenues from external customers	1,100,856	904,140	239,377	-	2,244,373
Intersegment net operating revenues (expenses)	(25,215)	-	18,209	7,006	-
	1,075,641	904,140	257,586	7,006	2,244,373
Net interest income	1,030,273	984,903	124,128	259	2,139,563
Interest income	1,523,743	1,260,462	301,677	(7,205)	3,078,677
Interest expense	(493,470)	(275,559)	(177,549)	7,464	(939,114)
Net fee and commission income	99,596	68,297	106,330	(3,441)	270,782
Fee and commission income	132,383	101,526	141,323	(7,673)	367,559
Fee and commission expense	(32,787)	(33,229)	(34,993)	4,232	(96,777)
Net gains on financial instruments at fair value through profit or loss	8,688	-	35,547	(12,188)	32,047
Net other operating expenses	(62,916)	(149,060)	(8,419)	22,376	(198,019)
General and administrative expenses	(412,573)	(481,829)	(126,668)	188	(1,020,882)
Operating income before provision for credit losses	663,068	422,311	130,918	7,194	1,223,491
Reversal (provision) of credit losses	(14,379)	(8,492)	10,738	338	(11,795)
Net operating income	648,689	413,819	141,656	7,532	1,211,696
Share of loss of associates	-	-	(734)	-	(734)
Net other non-operating income	316	-	11,807	(7,644)	4,479
Segment profit before income tax expense	649,005	413,819	152,729	(112)	1,215,441
Income tax expense	(124,153)	(85,055)	(22,748)	(8,959)	(240,915)
Profit for the period	524,852	328,764	129,981	(9,071)	974,526
Profit attributable to the shareholder of the Parent Company	524,566	328,764	129,981	(6,036)	977,275
Profit (loss) attributable to non-controlling interests	286	-	-	(3,035)	(2,749)
Total assets *	198,834,241	167,151,257	134,575,169	(7,481,904)	493,078,763
Total liabilities *	199,490,020	183,293,164	81,242,223	(3,376,602)	460,648,805

\* Assets and liabilities of the reporting segments are amounts before intersegment transactions.



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(In millions of Korean won)

	2021				Total
	Corporate banking	Retail banking	Others	Consolidation adjustments	
Net operating revenues from external customers	852,893	727,238	452,487	-	2,032,618
Intersegment net operating revenues (expenses)	(11,980)	-	12,903	(923)	-
	840,913	727,238	465,390	(923)	2,032,618
Net interest income	901,901	828,768	79,450	(1,117)	1,809,002
Interest income	1,257,389	1,064,703	227,306	(5,792)	2,543,606
Interest expense	(355,488)	(235,935)	(147,856)	4,675	(734,604)
Net fee and commission income	102,211	138,225	80,868	(4,413)	316,891
Fee and commission income	129,321	169,811	114,148	(8,675)	404,605
Fee and commission expense	(27,110)	(31,586)	(33,280)	4,262	(87,714)
Net gains on financial instruments at fair value through profit or loss	30,611	-	101,924	(4,209)	128,326
Net other operating income (expenses)	(193,810)	(239,755)	203,148	8,816	(221,601)
General and administrative expenses	(394,735)	(517,158)	(112,835)	88	(1,024,640)
Operating income before provision for credit losses	446,178	210,080	352,555	(835)	1,007,978
Provision for credit losses	(29,254)	(27,430)	(328)	417	(56,595)
Net operating income	416,924	182,650	352,227	(418)	951,383
Share of income of associates	-	-	37,202	-	37,202
Net other non-operating expenses	(2,127)	-	(8,740)	(6,453)	(17,320)
Segment profit before income tax expense	414,797	182,650	380,689	(6,871)	971,265
Income tax expense	(108,128)	(50,229)	(107,121)	(15,220)	(280,698)
Profit for the period	306,669	132,421	273,568	(22,091)	690,567
Profit attributable to the shareholder of the Parent Company	306,408	132,421	273,568	(23,904)	688,493
Profit attributable to non-controlling interests	261	-	-	1,813	2,074
Total assets *	189,310,448	169,513,344	131,447,842	(6,706,736)	483,564,898
Total liabilities *	197,834,530	180,815,013	75,034,139	(3,007,697)	450,675,985

\* Assets and liabilities of the reporting segments are amounts before intersegment transactions and as of December 31, 2021.

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5.2 Services and Geographical Segments

5.2.1 Services information

Net operating revenues from external customers by service for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Corporate banking service	1,100,856	852,893
Retail banking service	904,140	727,238
Others	239,377	452,487
	<b>2,244,373</b>	<b>2,032,618</b>

5.2.2 Geographical information

Geographical net operating revenues from external customers for the three-month periods ended March 31, 2022 and 2021, and major non-current assets as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>Net operating revenues from external customers</b>		<b>Major non-current assets</b>	
	<b>2022</b>	<b>2021</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Domestic	2,033,964	1,880,481	4,355,123	4,385,855
United States	13,982	6,685	6,995	7,009
New Zealand	3,179	2,932	1,881	1,932
China	31,818	23,682	19,933	19,320
Japan	3,796	3,003	1,807	2,019
Myanmar	926	1,480	2,948	2,993
Vietnam	2,931	2,165	2,895	2,132
Cambodia	114,572	89,222	29,815	29,545
United Kingdom	8,653	4,096	2,422	885
Singapore	(79)	-	9,467	-
Indonesia	30,023	17,605	357,236	360,556
India	608	1,267	909	839
Consolidation adjustments	-	-	484,052	474,417
	<b>2,244,373</b>	<b>2,032,618</b>	<b>5,275,483</b>	<b>5,287,502</b>

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**6. Financial Assets and Financial Liabilities**

6.1 Classification and Fair Value of Financial Instruments

6.1.1 Carrying amount and fair value of financial assets and liabilities by category as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

	March 31, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and due from financial institutions	22,765,861	22,765,768	25,164,991	25,164,936
Financial assets at fair value through profit or loss:	18,731,729	18,731,729	18,834,364	18,834,364
Debt securities	18,391,591	18,391,591	18,513,088	18,513,088
Equity securities	125,036	125,036	113,724	113,724
Loans	111,026	111,026	93,930	93,930
Others	104,076	104,076	113,622	113,622
Derivatives held for trading	3,945,050	3,945,050	2,835,202	2,835,202
Derivatives held for hedging	146,553	146,553	130,424	130,424
Loans measured at amortized cost	366,626,706	365,801,775	361,144,701	361,047,763
Financial assets at fair value through other comprehensive income:	41,295,776	41,295,776	41,580,315	41,580,315
Debt securities	38,142,944	38,142,944	38,140,906	38,140,906
Equity securities	2,878,190	2,878,190	3,169,800	3,169,800
Loans	274,642	274,642	269,609	269,609
Securities measured at amortized cost	24,819,772	23,897,656	22,164,594	21,880,536
Other financial assets	8,226,183	8,226,183	5,277,227	5,277,227
	<u>486,557,630</u>	<u>484,810,490</u>	<u>477,131,818</u>	<u>476,750,767</u>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	179,776	179,776	112,698	112,698
Derivatives held for trading	3,703,716	3,703,716	2,706,941	2,706,941
Derivatives held for hedging	48,410	48,410	42,471	42,471
Deposits	366,614,335	366,456,030	363,141,416	363,049,803
Borrowings	36,039,935	35,846,968	32,523,161	32,447,493
Debentures	29,096,939	29,101,099	29,718,734	29,780,948
Other financial liabilities	22,563,622	22,563,622	19,715,198	19,715,198
	<u>458,246,733</u>	<u>457,899,621</u>	<u>447,960,619</u>	<u>447,855,552</u>

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

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

<b>Cash and due from financial institutions</b>	Fair value of cash is same as carrying amount. Carrying amount of demand deposit and settlement deposit is a reasonable approximation of fair value because these financial instruments do not have a fixed maturity and are receivable on demand. Fair value of general deposit is measured using Discounted Cash Flow ("DCF") Model.
<b>Securities Due from financial institutions and deposits indexed to gold price</b>	Fair value of securities and others that are traded in an active market and due from financial institutions and deposits indexed to gold price is determined using the quoted prices. If there is no quoted price, fair value is determined using external professional valuation institutions. The institutions use one or more valuation techniques that are deemed appropriate considering the characteristics of the financial instruments among DCF Model, MonteCarlo Simulation, Free Cash Flow to Equity Model, Comparable Company Analysis, Dividend Discount Model, and Net Asset Value Method.
<b>Loans</b>	Fair value of loans is determined using DCF Model and independent external professional valuation institutions. Fair value measured by DCF Model is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
<b>Derivatives</b>	Fair value of exchange traded derivatives is determined using quoted price in an active market, and fair value of OTC derivatives is determined using valuation techniques. The Group uses internally developed valuation models that are widely used by market participants to determine fair value of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including Finite Difference Method ("FDM"), MonteCarlo Simulation, and Tree Model or valuation results from independent external professional valuation institutions. For OTC derivatives, the credit risk of counterparty and the Group's own credit risk are applied through credit valuation adjustment method.
<b>Deposits</b>	Carrying amount of demand deposits is a reasonable approximation of fair value because they do not have a fixed maturity and are payable on demand. Fair value of time deposits is determined using DCF Model discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
<b>Borrowings</b>	Carrying amount of overdrafts in foreign currency is a reasonable approximation of fair value because they do not have a fixed maturity and are payable on demand. Fair value of other borrowings is determined using DCF Model.
<b>Debentures</b>	Fair value is determined using valuation results (DCF Model) of external professional valuation institutions, which are calculated using market inputs.

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<b>Other financial assets and other financial liabilities</b>	Carrying amount is a reasonable approximation of fair value because other financial assets and other financial liabilities are temporary accounts used for other various transactions and their maturities are relatively short or not defined.
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#### 6.1.2 Fair value hierarchy

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

The Group classifies and discloses fair value of the financial instruments into the three fair value levels as follows:

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

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

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

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy.

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

Fair value hierarchy of financial assets and liabilities at fair value in the consolidated statements of financial position as of March 31, 2022 and December 31, 2021, are as follows:

	March 31, 2022			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:	3,807,794	11,362,596	3,561,339	18,731,729
Debt securities	3,642,489	11,362,596	3,386,506	18,391,591
Equity securities	61,229	-	63,807	125,036
Loans	-	-	111,026	111,026
Others	104,076	-	-	104,076
Derivatives held for trading	-	3,945,018	32	3,945,050
Derivatives held for hedging	-	146,553	-	146,553
Financial assets at fair value through other comprehensive income:	12,652,852	27,802,251	840,673	41,295,776
Debt securities	10,615,335	27,527,609	-	38,142,944
Equity securities	2,037,517	-	840,673	2,878,190
Loans	-	274,642	-	274,642
	16,460,646	43,256,418	4,402,044	64,119,108
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	179,776	-	-	179,776
Derivatives held for trading	-	3,703,348	368	3,703,716
Derivatives held for hedging	-	48,410	-	48,410
	179,776	3,751,758	368	3,931,902

	December 31, 2021			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:	4,085,766	11,434,023	3,314,575	18,834,364
Debt securities	3,910,659	11,434,023	3,168,406	18,513,088
Equity securities	61,485	-	52,239	113,724
Loans	-	-	93,930	93,930
Others	113,622	-	-	113,622
Derivatives held for trading	-	2,835,141	61	2,835,202
Derivatives held for hedging	-	130,424	-	130,424
Financial assets at fair value through other comprehensive income:	11,823,832	28,907,384	849,099	41,580,315
Debt securities	9,503,131	28,637,775	-	38,140,906
Equity securities	2,320,701	-	849,099	3,169,800
Loans	-	269,609	-	269,609
	15,909,598	43,306,972	4,163,735	63,380,305
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	112,698	-	-	112,698
Derivatives held for trading	-	2,706,549	392	2,706,941
Derivatives held for hedging	-	42,471	-	42,471
	112,698	2,749,020	392	2,862,110

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Valuation techniques and inputs of financial assets and liabilities classified as Level 2 and measured at fair value in the consolidated statements of financial position as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2022</b>	
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Financial assets</b>			
Financial assets at fair value through profit or loss:	11,362,596		
Debt securities	11,362,596	DCF Model, MonteCarlo Simulation, Net Asset Value Method	Discount rate, interest rate, prices of underlying assets (debt securities, stocks, etc.)
Derivatives held for trading	3,945,018	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price, and others
Derivatives held for hedging	146,553	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, and others
Financial assets at fair value through other comprehensive income:	27,802,251		
Debt securities	27,527,609	DCF Model	Discount rate
Loans	274,642	DCF Model	Discount rate
	<u>43,256,418</u>		
<b>Financial liabilities</b>			
Derivatives held for trading	3,703,348	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price, and others
Derivatives held for hedging	48,410	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, and others
	<u>3,751,758</u>		
<i>(In millions of Korean won)</i>		<b>December 31, 2021</b>	
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Financial assets</b>			
Financial assets at fair value through profit or loss:	11,434,023		
Debt securities	11,434,023	DCF Model, MonteCarlo Simulation, Net Asset Value Method	Discount rate, interest rate, prices of underlying assets (debt securities, stocks, etc.)
Derivatives held for trading	2,835,141	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price, and others
Derivatives held for hedging	130,424	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, and others
Financial assets at fair value through other comprehensive income:	28,907,384		
Debt securities	28,637,775	DCF Model	Discount rate
Loans	269,609	DCF Model	Discount rate
	<u>43,306,972</u>		
<b>Financial liabilities</b>			
Derivatives held for trading	2,706,549	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price, and others
Derivatives held for hedging	42,471	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, and others
	<u>2,749,020</u>		

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

Fair value hierarchy of financial assets and liabilities whose fair value is disclosed as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

	March 31, 2022			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Cash and due from financial institutions <sup>1</sup>	2,685,355	18,986,143	1,094,270	22,765,768
Loans measured at amortized cost	-	-	365,801,775	365,801,775
Securities measured at amortized cost	2,805,126	21,092,530	-	23,897,656
Other financial assets <sup>2</sup>	-	-	8,226,183	8,226,183
	5,490,481	40,078,673	375,122,228	420,691,382
<b>Financial liabilities</b>				
Deposits <sup>1</sup>	-	197,427,217	169,028,813	366,456,030
Borrowings <sup>1</sup>	-	1,858	35,845,110	35,846,968
Debentures	-	29,101,099	-	29,101,099
Other financial liabilities <sup>2</sup>	-	-	22,563,622	22,563,622
	-	226,530,174	227,437,545	453,967,719

(In millions of Korean won)

	December 31, 2021			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Cash and due from financial institutions <sup>1</sup>	2,644,591	20,973,023	1,547,322	25,164,936
Loans measured at amortized cost	-	-	361,047,763	361,047,763
Securities measured at amortized cost	2,712,403	19,168,133	-	21,880,536
Other financial assets <sup>2</sup>	-	-	5,277,227	5,277,227
	5,356,994	40,141,156	367,872,312	413,370,462
<b>Financial liabilities</b>				
Deposits <sup>1</sup>	-	197,274,176	165,775,627	363,049,803
Borrowings <sup>1</sup>	-	2,146	32,445,347	32,447,493
Debentures	-	29,780,948	-	29,780,948
Other financial liabilities <sup>2</sup>	-	-	19,715,198	19,715,198
	-	227,057,270	217,936,172	444,993,442

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

<sup>2</sup> Other financial assets and other financial liabilities included in Level 3 are the carrying amounts which are reasonable approximations of fair value.



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For financial assets and liabilities whose carrying amount is a reasonable approximation of fair value, valuation techniques and inputs are not disclosed.

Valuation techniques and inputs of financial assets and liabilities classified as Level 2, and whose fair value is disclosed as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2022</b>	
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Financial assets</b>			
Securities measured at amortized cost	21,092,530	DCF Model, MonteCarlo Simulation	Discount rate, interest rate
<b>Financial liabilities</b>			
Debentures	29,101,099	DCF Model	Discount rate
<i>(In millions of Korean won)</i>		<b>December 31, 2021</b>	
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Financial assets</b>			
Securities measured at amortized cost	19,168,133	DCF Model, MonteCarlo Simulation	Discount rate, interest rate
<b>Financial liabilities</b>			
Debentures	29,780,948	DCF Model	Discount rate

Valuation techniques and inputs of financial assets and liabilities classified as Level 3, and whose fair value is disclosed as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2022</b>		
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>	<b>Unobservable inputs</b>
<b>Financial assets</b>				
Cash and due from financial institutions	1,094,270	DCF Model	Credit spread, other spread, interest rate	Credit spread, other spread
Loans measured at amortized cost	365,801,775	DCF Model	Credit spread, other spread, prepayment rate, interest rate	Credit spread, other spread, prepayment rate
	<u>366,896,045</u>			
<b>Financial liabilities</b>				
Deposits	169,028,813	DCF Model	Other spread, prepayment rate, interest rate	Other spread, prepayment rate
Borrowings	35,845,110	DCF Model	Other spread, interest rate	Other spread
	<u>204,873,923</u>			

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	December 31, 2021			
	Fair value	Valuation techniques	Inputs	Unobservable inputs
<b>Financial assets</b>				
Cash and due from financial institutions	1,547,322	DCF Model	Credit spread, other spread, interest rate	Credit spread, other spread
Loans measured at amortized cost	361,047,763	DCF Model	Credit spread, other spread, prepayment rate, interest rate	Credit spread, other spread, prepayment rate
	<u>362,595,085</u>			
<b>Financial liabilities</b>				
Deposits	165,775,627	DCF Model	Other spread, prepayment rate, interest rate	Other spread, prepayment rate
Borrowings	32,445,347	DCF Model	Other spread, interest rate	Other spread
	<u>198,220,974</u>			

6.2 Disclosure of Fair Value Hierarchy Level 3

6.2.1 Valuation policy and process of Level 3 fair value

The Group uses external, independent and qualified valuation service in addition to internal valuation models to determine the fair value of financial instruments at the end of every reporting period.

If the changes in situation and events which cause transfers between the fair value hierarchy level for a financial asset or liability occur, the Group's policy is to recognize such transfers as having occurred at the beginning of the reporting period.

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6.2.2 Changes in fair value (Level 3) measured using valuation technique based on unobservable inputs in the market

6.2.2.1 Changes in financial instruments classified as Level 3 of the fair value hierarchy for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022				
	Financial assets at fair value through profit or loss		Financial investments	Net derivative financial instruments	
	Securities measured at fair value through profit or loss	Loans measured at fair value through profit or loss	Equity securities measured at fair value through other comprehensive income	Derivatives held for trading	Derivatives held for hedging
Beginning	3,220,645	93,930	849,099	(331)	-
Total gains or losses:					
- Profit or loss	65,555	2,396	-	(5)	-
- Other comprehensive loss	-	-	(10,496)	-	-
Purchases	329,487	14,700	2,070	-	-
Sales	(165,374)	-	-	-	-
Ending	3,450,313	111,026	840,673	(336)	-

(In millions of Korean won)

	2021				
	Financial assets at fair value through profit or loss		Financial investments	Net derivative financial instruments	
	Securities measured at fair value through profit or loss	Loans measured at fair value through profit or loss	Equity securities measured at fair value through other comprehensive income	Derivatives held for trading	Derivatives held for hedging
Beginning	2,233,598	38,756	1,917,980	(63)	-
Total gains or losses:					
- Profit or loss	13,423	(842)	-	(492)	-
- Other comprehensive loss	-	-	(12,138)	-	-
Purchases	104,095	-	145	-	-
Sales	(165,303)	-	(419)	-	-
Ending	2,185,813	37,914	1,905,568	(555)	-

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6.2.2.2 In relation to changes in financial instruments classified as Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period, and total gains or losses recognized in profit or loss from financial instruments held at the end of the reporting period for the three-month periods ended March 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>2022</b>		
	<b>Net gains on financial instruments at fair value through profit or loss</b>	<b>Other operating income</b>	<b>Net interest income</b>
Total gains recognized in profit or loss for the period	46,945	21,001	-
Total gains recognized in profit or loss from financial instruments held at the end of the reporting period	38,242	21,712	-

*(In millions of Korean won)*

	<b>2021</b>		
	<b>Net gains on financial instruments at fair value through profit or loss</b>	<b>Other operating income</b>	<b>Net interest income</b>
Total gains recognized in profit or loss for the period	5,123	6,966	-
Total gains recognized in profit or loss from financial instruments held at the end of the reporting period	5,555	6,967	-

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6.2.3 Sensitivity analysis of changes in unobservable inputs

6.2.3.1 Information about fair value measurements using unobservable inputs as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

March 31, 2022						
	Fair value	Valuation techniques	Inputs	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
<b>Financial assets</b>						
Financial assets at fair value through profit or loss:						
Debt securities	3,386,506	MonteCarlo Simulation, Net Asset Value Method, DCF Model, Tree Model	Price of underlying asset, interest rate, dividend yield, discount rate, liquidation value, rate of real estate sale price fluctuation, stock price, volatility of stock price	Volatility of underlying asset Correlation coefficient between underlying assets Discount rate Liquidation value Rate of real estate sale price fluctuation Volatility of stock price	21.53 ~ 25.74 22.85 8.17 ~ 21.37 0.00 0.00 24.6	Higher the volatility, higher the fair value fluctuation The higher the correlation coefficient, the higher the fair value fluctuation Lower the discount rate, higher the fair value Higher the liquidation value, higher the fair value Higher the real estate sale price, higher the fair value Higher the volatility, higher the fair value fluctuation
Equity securities	63,807	DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method	Growth rate, discount rate	Growth rate Discount rate	0.00 ~ 1.00 10.31 ~ 22.74	Higher the growth rate, higher the fair value Lower the discount rate, higher the fair value
Loans	111,026	DCF Model	Discount rate	Discount rate	8.70	Lower the discount rate, higher the fair value
Derivatives held for trading:						
Stock and index	32	Tree Model	Price of underlying asset, volatility of underlying asset	Volatility of underlying asset	19.29 ~ 30.76	Higher the volatility, higher the fair value fluctuation
Financial assets at fair value through other comprehensive income:						
Equity securities	840,673	DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method, Tree Model	Growth rate, discount rate, stock price, volatility of stock price	Growth rate Discount rate Volatility of stock price	0.00 ~ 1.00 10.17 ~ 16.84 30.63 ~ 30.76	Higher the growth rate, higher the fair value Lower the discount rate, higher the fair value Higher the volatility, higher the fair value fluctuation
	<u>4,402,044</u>					
<b>Financial liabilities</b>						
Derivatives held for trading:						
Others	368	DCF Model	Interest rate, discount rate	Discount rate	3.07 ~ 3.23	Higher the discount rate, lower the fair value
	<u>368</u>					

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December 31, 2021						
	Fair value	Valuation techniques	Inputs	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets						
Financial assets at fair value through profit or loss:						
Debt securities	3,168,406	MonteCarlo Simulation, Net Asset Value Method, DCF Model, Tree Model	Price of underlying asset, interest rate, dividend yield, discount rate, liquidation value, rate of real estate sale price fluctuation, stock price, volatility of stock price	Discount rate  Liquidation value  Rate of real estate sale price fluctuation  Volatility of stock price	8.17 ~ 21.37  0.00  0.00  18.87 ~ 19.48	Lower the discount rate, higher the fair value  Higher the liquidation value, higher the fair value  Higher the real estate sale price, higher the fair value  Higher the volatility, higher the fair value fluctuation
Equity securities	52,239	DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method	Growth rate, discount rate	Growth rate  Discount rate	0.00 ~ 1.00  10.76 ~ 22.79	Higher the growth rate, higher the fair value  Lower the discount rate, higher the fair value
Loans	93,930	DCF Model	Discount rate	Discount rate	8.21	Lower the discount rate, higher the fair value
Derivatives held for trading:						
Stock and index	61	Tree Model	Price of underlying asset, volatility of underlying asset	Volatility of underlying asset	17.00 ~ 25.49	Higher the volatility, higher the fair value fluctuation
Financial assets at fair value through other comprehensive income:						
Equity securities	849,099	DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method, Tree Model	Growth rate, discount rate, stock price, volatility of stock price	Growth rate  Discount rate  Volatility of stock price	0.00 ~ 1.00  10.42 ~ 18.02  23.36 ~ 25.49	Higher the growth rate, higher the fair value  Lower the discount rate, higher the fair value  Higher the volatility, higher the fair value fluctuation
	<u>4,163,735</u>					
Financial liabilities						
Derivatives held for trading:						
Others	392	DCF Model	Interest rate, discount rate	Discount rate	1.46 ~ 2.83	Higher the discount rate, lower the fair value
	<u>392</u>					

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6.2.3.2 Sensitivity analysis of changes in unobservable inputs

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

Results of the sensitivity analysis of changes in unobservable inputs as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

	March 31, 2022			
	Profit or loss		Other comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Debt securities <sup>3, 5</sup>	7,146	(7,137)	-	-
Equity securities <sup>2, 5</sup>	6,797	(5,050)	-	-
Loans <sup>4</sup>	2,879	(2,584)	-	-
Derivatives held for trading <sup>1</sup>	2	(2)	-	-
Financial assets at fair value through other comprehensive income:				
Equity securities <sup>2, 5, 6</sup>	-	-	100,309	(72,120)
	<u>16,824</u>	<u>(14,773)</u>	<u>100,309</u>	<u>(72,120)</u>
<b>Financial liabilities</b>				
Derivatives held for trading <sup>1</sup>	175	(182)	-	-
	<u>175</u>	<u>(182)</u>	<u>-</u>	<u>-</u>

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	December 31, 2021			
	Profit or loss		Other comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Debt securities <sup>3, 5</sup>	7,065	(7,001)	-	-
Equity securities <sup>2, 5</sup>	5,698	(4,328)	-	-
Loans <sup>4</sup>	3,062	(2,742)	-	-
Derivatives held for trading <sup>1</sup>	2	-	-	-
Financial assets at fair value through other comprehensive income:				
Equity securities <sup>2, 5, 6</sup>	-	-	87,021	(65,000)
	<u>15,827</u>	<u>(14,071)</u>	<u>87,021</u>	<u>(65,000)</u>
<b>Financial liabilities</b>				
Derivatives held for trading <sup>1</sup>	196	(204)	-	-
	<u>196</u>	<u>(204)</u>	<u>-</u>	<u>-</u>

<sup>1</sup> For derivative financial instruments, changes in fair value are calculated by shifting principal unobservable input parameters such as price and the volatility of underlying asset by  $\pm 10$ .

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

<sup>3</sup> For beneficiary certificates, it is practically impossible to analyze sensitivity of changes in unobservable inputs. However, for beneficiary certificates whose underlying assets are real estates, changes in fair value are calculated by shifting rate of real estate sale price fluctuation (-1%p~1%p), and for beneficiary certificates whose underlying assets are equity investments, changes in fair value are calculated by shifting liquidation value (-1%p~1%p) and discount rate (-1%p~1%p). There is no significant correlation among major unobservable inputs.

<sup>4</sup> For loans, changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate (-1%p~1%p).

<sup>5</sup> The amounts of ₩ 3,358,956 million and ₩ 3,175,985 million of financial assets classified as level 3 as of March 31, 2022 and December 31, 2021, respectively, are excluded because it is practically impossible to analyze sensitivity of changes in unobservable inputs.

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



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6.2.4 Day one gains or losses

When the Group measures the fair value of OTC derivatives using inputs that are not based on observable market data, there could be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price, and the difference is not recognized in profit or loss but deferred and amortized using the straight-line method over the life of the financial instrument. When the fair value of the financial instruments is subsequently determined using observable market inputs, the remaining deferred amount is recognized in profit or loss.

Changes in deferred day one gains or losses for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Balance at the beginning of the period (A)	(8,719)	(637)
New transactions (B)	(105)	-
Amounts recognized in profit or loss (C=a+b)	542	281
a. Amortization	542	281
b. Settlement	-	-
Balance at the end of the period (A+B+C)	(8,282)	(356)

6.3 Carrying Amount of Financial Instruments by Category

Financial assets and liabilities are measured at fair value or amortized cost. Carrying amount of financial assets and liabilities by category as of March 31, 2022 and December 31, 2021, are as follows:

*(In millions of Korean won)*

	March 31, 2022					
	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total
<b>Financial assets</b>						
Cash and due from financial institutions	-	-	-	22,765,861	-	22,765,861
Financial assets at fair value through profit or loss	18,731,729	-	-	-	-	18,731,729
Derivative financial assets	3,945,050	-	-	-	146,553	4,091,603
Loans measured at amortized cost	-	-	-	366,626,706	-	366,626,706
Financial investments	-	38,417,586	2,878,190	24,819,772	-	66,115,548
Other financial assets	-	-	-	8,226,183	-	8,226,183
	<u>22,676,779</u>	<u>38,417,586</u>	<u>2,878,190</u>	<u>422,438,522</u>	<u>146,553</u>	<u>486,557,630</u>

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(In millions of Korean won)

	March 31, 2022			
	Financial instruments at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	179,776	-	-	179,776
Derivative financial liabilities	3,703,716	-	48,410	3,752,126
Deposits	-	366,614,335	-	366,614,335
Borrowings	-	36,039,935	-	36,039,935
Debentures	-	29,096,939	-	29,096,939
Other financial liabilities	-	22,563,622	-	22,563,622
	<u>3,883,492</u>	<u>454,314,831</u>	<u>48,410</u>	<u>458,246,733</u>

(In millions of Korean won)

in millions of Korean won

	December 31, 2021					
	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial assets						
Cash and due from financial institutions	-	-	-	25,164,991	-	25,164,991
Financial assets at fair value through profit or loss	18,834,364	-	-	-	-	18,834,364
Derivative financial assets	2,835,202	-	-	-	130,424	2,965,626
Loans measured at amortized cost	-	-	-	361,144,701	-	361,144,701
Financial investments	-	38,410,515	3,169,800	22,164,594	-	63,744,909
Other financial assets	-	-	-	5,277,227	-	5,277,227
	21,669,566	38,410,515	3,169,800	413,751,513	130,424	477,131,818

(In millions of Korean won)

	December 31, 2021			
	Financial instruments at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	112,698	-	-	112,698
Derivative financial liabilities	2,706,941	-	42,471	2,749,412
Deposits	-	363,141,416	-	363,141,416
Borrowings	-	32,523,161	-	32,523,161
Debentures	-	29,718,734	-	29,718,734
Other financial liabilities	-	19,715,198	-	19,715,198
	<u>2,819,639</u>	<u>445,098,509</u>	<u>42,471</u>	<u>447,960,619</u>

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**7. Due from Financial Institutions**

7.1 Details of due from financial institutions as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)		Financial institutions	Interest rate (%)	March 31, 2022	December 31, 2021
Due from financial institutions in Korean won	Due from the Bank of Korea	The Bank of Korea	-	13,871,313	15,317,033
	Due from banks	Hana Bank and others	0.00~2.21	243,413	159,059
	Due from others	Korea Securities Finance Corporation and others	0.00~1.76	26,297	20,732
				14,141,023	15,496,824
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	The Bank of Korea and others	0.00~4.00	4,998,032	6,252,882
	Time deposits in foreign currencies	Bank of Communications Co., Ltd. New York Branch and others	0.30~5.50	527,263	389,320
	Due from others	Societe Generale (Paris) and others	0.00~4.50	417,709	383,502
				5,943,004	7,025,704
				20,084,027	22,522,528

\* Before netting of allowance

7.2 Details of restricted due from financial institutions as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)		Financial institutions	March 31, 2022	December 31, 2021	Reasons of restriction
Due from financial institutions in Korean won	Due from the Bank of Korea	The Bank of Korea	13,871,313	15,317,033	Bank of Korea Act
	Due from others	NH Investment & Securities Co., Ltd. and others	26,297	20,733	Derivatives margin account
			13,897,610	15,337,766	
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Indonesia and others	1,763,514	2,262,610	Indonesian law and others
	Time deposits in foreign currencies	Bank of Communications Co., Ltd.	60,540	59,275	New York State Banking Law
	Due from others	Societe Generale (Paris) and others	253,554	206,074	Derivatives margin account
			2,077,608	2,527,959	
			15,975,218	17,865,725	

\* Before netting of allowance

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7.3 Changes in allowances for credit losses of due from financial institutions for the three-month periods ended March 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>12-month expected credit losses</b>	<b>2022</b>	
		<b>Lifetime expected credit losses</b>	
		<b>Non-impaired</b>	<b>Impaired</b>
Beginning	2,127	-	-
Transfer between stages	-	-	-
Provision for credit losses	97	-	-
Others (exchange differences, etc.)	935	-	-
Ending	3,159	-	-

*(In millions of Korean won)*

	<b>12-month expected credit losses</b>	<b>2021</b>	
		<b>Lifetime expected credit losses</b>	
		<b>Non-impaired</b>	<b>Impaired</b>
Beginning	2,063	34	282
Transfer between stages	-	-	-
Reversal of credit losses	(285)	(5)	(282)
Others (exchange differences, etc.)	17	1	-
Ending	1,795	30	-

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**8. Derivative Financial Instruments and Hedge Accounting**

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

8.1 Details of derivative financial instruments held for trading as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

	March 31, 2022			December 31, 2021		
	Notional Amount	Assets	Liabilities	Notional amount	Assets	Liabilities
<b>Interest rate</b>						
Forwards	1,666,706	115,419	541	738,589	24,928	296
Futures <sup>1</sup>	2,713,516	-	-	1,863,050	-	-
Swaps <sup>2</sup>	201,913,018	465,910	290,673	198,819,031	301,070	312,076
Options	11,117,000	213,121	229,164	11,657,000	172,060	195,666
	217,410,240	794,450	520,378	213,077,670	498,058	508,038
<b>Currency</b>						
Forwards	98,093,228	1,420,607	995,108	95,717,113	1,217,979	854,539
Swaps	71,714,877	1,718,526	2,173,609	65,641,211	1,111,462	1,330,595
Options	2,539,331	11,380	14,224	2,051,034	7,643	13,376
	172,347,436	3,150,513	3,182,941	163,409,358	2,337,084	2,198,510
<b>Stock and index</b>						
Options	355	32	-	355	17	-
	355	32	-	355	17	-
<b>Credit</b>						
Swaps <sup>2</sup>	1,598,903	-	-	13,423	-	-
	1,598,903	-	-	13,423	-	-
<b>Others</b>	120,052	55	397	94,300	43	393
	391,476,986	3,945,050	3,703,716	376,595,106	2,835,202	2,706,941

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

<sup>2</sup> Notional amounts of ₩ 164,881,292 million and ₩ 158,974,418 million as of March 31, 2022 and December 31, 2021, respectively, were traded through the central clearing house.

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8.2 Average price conditions of future nominal cash flows by type of hedge accounting as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

	March 31, 2022						
	1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
<b>Fair value hedge</b>							
Nominal amount of the hedging instrument	1,630,893	1,453,623	764,482	2,310,355	1,355,221	2,337,112	9,851,686
Average price condition (%), (CD and LIBOR)	1.45	1.56	1.41	1.44	1.52	1.64	1.52
<b>Cash flow hedge</b>							
Nominal amount of the hedging instrument	2,963,500	181,620	-	-	-	-	3,145,120
Average price condition (%), (CD and LIBOR)	1.29	1.38	-	-	-	-	1.29

(In millions of Korean won)

	December 31, 2021						
	1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
<b>Fair value hedge</b>							
Nominal amount of the hedging instrument	1,044,669	1,171,185	701,102	2,153,038	1,420,914	2,419,231	8,910,139
Average price condition (%), (CD and LIBOR)	0.94	1.23	1.04	1.16	1.06	1.39	1.18
<b>Cash flow hedge</b>							
Nominal amount of the hedging instrument	2,843,325	414,925	-	-	-	-	3,258,250
Average price condition (%), (CD and LIBOR)	0.93	0.76	-	-	-	-	0.91

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8.3 Fair Value Hedge

8.3.1 Details of fair value hedged items as of March 31, 2022 and December 31, 2021 and changes in fair value for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

		March 31, 2022				2022
Interest rate		Carrying amount		Accumulated amount of hedge adjustments		Changes in fair value
		Assets	Liabilities	Assets	Liabilities	
	Debt securities in Korean won	1,715,743	-	(70,551)	-	(50,160)
	Debt securities in foreign currencies	3,470,984	-	(137,176)	-	(118,722)
	Deposits in foreign currencies	-	41,845	-	(5,521)	3,905
	Debentures in Korean won	-	3,205,080	-	(164,920)	85,044
	Debentures in foreign currencies	-	1,119,737	-	(30,523)	58,475
		<u>5,186,727</u>	<u>4,366,662</u>	<u>(207,727)</u>	<u>(200,964)</u>	<u>(21,458)</u>

(In millions of Korean won)

		December 31, 2021				2021
Interest rate		Carrying amount		Accumulated amount of hedge adjustments		Changes in fair value
		Assets	Liabilities	Assets	Liabilities	
	Debt securities in Korean won	1,627,228	-	(20,272)	-	(2,813)
	Debt securities in foreign currencies	3,567,662	-	(12,505)	-	(39,201)
	Deposits in foreign currencies	-	93,521	-	(1,319)	2,361
	Debentures in Korean won	-	2,470,123	-	(79,877)	53,967
	Debentures in foreign currencies	-	1,154,178	-	27,953	39,134
		<u>5,194,890</u>	<u>3,717,822</u>	<u>(32,777)</u>	<u>(53,243)</u>	<u>53,448</u>

8.3.2 Details of derivative instruments designated as fair value hedge as of March 31, 2022 and December 31, 2021 and changes in fair value for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

		March 31, 2022			2022
Interest rate		Notional amount	Assets	Liabilities	Changes in fair value
	Swaps	9,851,686	134,466	46,778	27,985

(In millions of Korean won)

		December 31, 2021			2021
Interest rate		Notional amount	Assets	Liabilities	Changes in fair value
	Swaps	8,910,139	127,290	38,253	(60,036)

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8.3.3 Details of hedge ineffectiveness recognized in profit or loss on derivative instruments designated as fair value hedge for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
Interest rate	6,527	(6,588)

8.3.4 Gains or losses on fair value hedging instruments and hedged items attributable to the hedged risk for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
Gains (losses) on hedging instruments	28,658	(54,295)
Gains (losses) on hedged items attributable to the hedged risk	(25,545)	50,276
	<u>3,113</u>	<u>(4,019)</u>

**8.4 Cash Flow Hedge**

8.4.1 Details of cash flow hedged items as of March 31, 2022 and December 31, 2021 and changes in fair value for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>Cash flow hedge reserve</b>		<b>Changes in fair value</b>	
	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>2022</b>	<b>2021</b>
Interest rate risk	6,600	(11,306)	(11,232)	(3,589)

8.4.2 Details of derivative instruments designated as cash flow hedge as of March 31, 2022 and December 31, 2021 and changes in fair value for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>March 31, 2022</b>			<b>2022</b>
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Changes in fair value</b>
<b>Interest rate</b>				
Swaps	3,145,120	12,087	1,632	9,201

(In millions of Korean won)

	<b>December 31, 2021</b>			<b>2021</b>
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Changes in fair value</b>
<b>Interest rate</b>				
Swaps	3,258,250	3,134	4,218	2,720



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8.4.3 Gains or losses on cash flow hedging instruments and hedged items attributable to the hedged risk for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Gains on hedging instruments:	9,201	2,720
Effective portion of gains on cash flow hedging instruments (recognized in other comprehensive income or loss)	9,221	2,692
Ineffective portion of gains (losses) on cash flow hedging instruments (recognized in profit or loss)	(20)	28

8.4.4 Amounts recognized in other comprehensive income and reclassified from equity to profit or loss related to derivative instruments designated as cash flow hedge for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Other comprehensive income	9,221	2,692
Reclassification to profit or loss	5	587
Income tax effect	(2,537)	(902)
	<b>6,689</b>	<b>2,377</b>

8.4.5 As of March 31, 2022, the hedged items subject to cash flow hedge are exposed to the risk of changes in cash flows until August 11, 2023.

**8.5 Hedge of Net Investments in Foreign Operations**

8.5.1 Details of net investments in foreign operations hedged items as of March 31, 2022 and December 31, 2021 and changes in fair value for the three-month periods ended March 31, 2022 and 2021, are as follows:

	<b>Foreign currency translation reserve</b>		<b>Changes in fair value</b>	
	<b>March 31,</b>	<b>December 31,</b>	<b>2022</b>	<b>2021</b>
	<b>2022</b>	<b>2021</b>		
Currency risk	(50,006)	(30,306)	27,172	41,970

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8.5.2 Details of financial instruments designated as hedge of net investments in foreign operations as of March 31, 2022 and December 31, 2021 and changes in fair value for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>			<b>2022</b>
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Changes in fair value</b>
Currency forwards	-	-	-	-
Debentures in foreign currencies	1,300,399	-	1,300,399	(27,172)
	<u>1,300,399</u>	<u>-</u>	<u>1,300,399</u>	<u>(27,172)</u>

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>			<b>2021</b>
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Changes in fair value</b>
Currency forwards	-	-	-	(6,753)
Debentures in foreign currencies	1,273,227	-	1,273,227	(35,217)
	<u>1,273,227</u>	<u>-</u>	<u>1,273,227</u>	<u>(41,970)</u>

8.5.3 Fair value of non-derivative financial instruments designated as hedge of net investments in foreign operations as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Debentures in foreign currencies	1,265,530	1,275,291

8.5.4 Gains or losses on net investments in foreign operations hedging instruments and hedged items attributable to the hedged risk for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Losses on hedging instruments:	(27,172)	(41,970)
Effective portion of losses on hedge of net investments in foreign operations (recognized in other comprehensive income or loss)	(27,172)	(41,970)
Ineffective portion of losses on hedge of net investments in foreign operations (recognized in profit or loss)	-	-

8.5.5 Effective portion of gains or losses on net investments in foreign operations hedging instruments recognized in other comprehensive loss for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Other comprehensive loss	(27,172)	(41,964)
Reclassification to profit or loss	-	-
Income tax effect	7,472	11,540
	<u>(19,700)</u>	<u>(30,424)</u>

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8.6 Interest Rate Benchmark Reform

The USD LIBOR interest rate will be replaced by the Secured Overnight Financing Rate ("SOFR") based on actual transactions. In the case of KRW, the Korean government bond/monetary stabilization bond RP rate has been finally decided as the Risk-Free Reference Rate ("RFR") and will replace the Certificate of Deposit ("CD") rate in the mid to long-term. Within the corresponding hedging relationship of related significant interest rate benchmark, the Group assumed that the spread to be changed on the RFR basis including SOFR would be similar to that included in the interest rate swap used as a hedging instrument, and no other changes were assumed.

**9. Loans Measured at Amortized Cost**

9.1 Details of loans as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Loans	368,474,797	363,049,216
Deferred loan origination fees and costs	497,685	522,425
Less: Allowances for credit losses	(2,345,776)	(2,426,940)
	<u>366,626,706</u>	<u>361,144,701</u>

9.2 Details of loans to banks as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Loans	10,477,894	8,325,177
Less: Allowances for credit losses	(707)	(443)
	<u>10,477,187</u>	<u>8,324,734</u>

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9.3 Details of loan types and customer types of loans to customers other than banks as of March 31, 2022 and December 31, 2021, are as follows:

*(In millions of Korean won)*

	<b>March 31, 2022</b>			
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
Loans in Korean won	168,389,109	153,413,428	-	321,802,537
Loans in foreign currencies	3,447,860	23,115,523	-	26,563,383
Domestic import usance bills	-	4,080,706	-	4,080,706
Off-shore funding loans	-	1,130,664	-	1,130,664
Call loans	-	606,738	-	606,738
Bills bought in Korean won	-	2,574	-	2,574
Bills bought in foreign currencies	-	2,474,392	-	2,474,392
Guarantee payments under acceptances and guarantees	-	20,222	-	20,222
Credit card receivables in foreign currencies	-	-	53,013	53,013
Bonds purchased under repurchase agreements	-	1,585,061	-	1,585,061
Privately placed bonds	-	175,298	-	175,298
	<u>171,836,969</u>	<u>186,604,606</u>	<u>53,013</u>	<u>358,494,588</u>
Proportion (%)	47.93	52.06	0.01	100.00
Less: Allowances for credit losses	<u>(666,801)</u>	<u>(1,657,933)</u>	<u>(20,335)</u>	<u>(2,345,069)</u>
	<u>171,170,168</u>	<u>184,946,673</u>	<u>32,678</u>	<u>356,149,519</u>

*(In millions of Korean won)*

	<b>December 31, 2021</b>			
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
Loans in Korean won	170,760,821	148,957,704	-	319,718,525
Loans in foreign currencies	3,218,116	20,267,749	-	23,485,865
Domestic import usance bills	-	3,311,142	-	3,311,142
Off-shore funding loans	-	1,135,753	-	1,135,753
Call loans	-	902,301	-	902,301
Bills bought in Korean won	-	2,209	-	2,209
Bills bought in foreign currencies	-	2,001,046	-	2,001,046
Guarantee payments under acceptances and guarantees	-	20,773	-	20,773
Credit card receivables in foreign currencies	-	-	55,520	55,520
Bonds purchased under repurchase agreements	-	4,408,594	-	4,408,594
Privately placed bonds	-	204,736	-	204,736
	<u>173,978,937</u>	<u>181,212,007</u>	<u>55,520</u>	<u>355,246,464</u>
Proportion (%)	48.97	51.01	0.02	100.00
Less: Allowances for credit losses	<u>(669,125)</u>	<u>(1,736,776)</u>	<u>(20,596)</u>	<u>(2,426,497)</u>
	<u>173,309,812</u>	<u>179,475,231</u>	<u>34,924</u>	<u>352,819,967</u>

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**10. Allowances for Credit Losses**

10.1 Changes in allowances for credit losses of loans for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022									
	Retail					Corporate				
	Lifetime					Lifetime				
	12-month expected credit losses	Non- impaired	expected credit losses	Impaired	Credit impaired approach	12-month expected credit losses	Non- impaired	expected credit losses	Impaired	Credit impaired approach
Beginning	299,033	174,459	195,633	-	-	366,300	454,618	916,301	-	-
Transfer between stages:										
Transfer to 12-month expected credit losses	49,281	(41,874)	(7,407)	-	-	39,782	(27,673)	(12,109)	-	-
Transfer to lifetime expected credit losses (non-impaired)	(27,100)	38,940	(11,840)	-	-	(21,131)	29,925	(8,794)	-	-
Transfer to lifetime expected credit losses (impaired)	(865)	(18,447)	19,312	-	-	(799)	(14,659)	15,458	-	-
Write-offs	-	(1)	(54,555)	-	-	-	-	(152,682)	-	-
Sales	(178)	(2)	-	-	-	-	-	-	-	-
Provision (reversal) for credit losses <sup>1,2</sup>	(29,090)	23,102	58,070	-	-	(3,722)	39,166	32,969	-	-
Others (exchange differences, etc.)	(205)	68	467	-	-	4,377	(7,597)	8,910	-	-
Ending <sup>3</sup>	290,876	176,245	199,680	-	-	384,807	473,780	800,053	-	-
									1,463	18,872

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(In millions of Korean won)

	2021									
	Retail					Corporate				
	Lifetime					Lifetime				
	12-month expected credit losses	Non- impaired	expected credit losses	Impaired	Credit impaired approach	12-month expected credit losses	Non- impaired	expected credit losses	Impaired	Credit impaired approach
Beginning	270,545	177,665	170,621	-	-	333,135	388,522	843,225	-	-
Transfer between stages:										
Transfer to 12-month expected credit losses	42,767	(38,169)	(4,598)	-	-	38,172	(22,180)	(15,992)	-	-
Transfer to lifetime expected credit losses (non-impaired)	(24,342)	28,193	(3,851)	-	-	(20,099)	32,589	(12,490)	-	-
Transfer to lifetime expected credit losses (impaired)	(696)	(22,081)	22,777	-	-	(638)	(20,716)	21,354	-	-
Write-offs	-	13	(64,310)	-	-	-	-	(43,017)	-	-
Sales	(143)	-	-	-	-	271	-	-	-	-
Provision (reversal) for credit losses <sup>1,2</sup>	(27,862)	27,771	49,175	-	-	(3,431)	(8,050)	64,462	-	-
Others (exchange differences, etc.)	1,399	278	529	-	-	2,254	2,153	7,561	-	-
Ending <sup>3</sup>	261,668	173,670	170,343	-	-	349,664	372,318	865,103	-	-

<sup>1</sup> Provision (reversal) for credit losses in the consolidated statements of comprehensive income also includes provision (reversal) for credit losses of unused commitments, acceptances and guarantees (Note 17.2), provision (reversal) for credit losses of financial guarantee contracts (Note 17.4), provision (reversal) for credit losses of other financial assets, provision (reversal) for credit losses of due from financial institutions (Note 7.3) and provision (reversal) for credit losses of debt securities (Note 11.5).

<sup>2</sup> Includes ₩ 107,904 million and ₩ 60,338 million of collections from written-off loans for the three-month periods ended March 31, 2022 and 2021, respectively.

<sup>3</sup> Includes additional allowances of ₩ 51,406 million and ₩ 44,547 million for industries and borrowers which are highly affected by COVID-19 and ₩ 17,604 million and ₩ 16,001 million due to expanding the scope of the loans subject to lifetime expected credit losses (non-impaired) as of March 31, 2022 and 2021, respectively.

The Group manages the written-off loans that their legal extinctive prescriptions have not been completed, and that have not been collected. The balances of those loans are ₩ 7,964,619 million and ₩ 7,939,987 million as of March 31, 2022 and December 31, 2021, respectively.

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10.2 Changes in gross carrying amount of loans for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			Credit impaired approach
	12-month expected credit losses	Lifetime expected credit losses Non- impaired	Impaired	
Beginning	334,424,618	26,384,843	2,762,180	-
Transfer between stages:				
Transfer to 12-month expected credit losses	7,362,305	(7,291,757)	(70,548)	-
Transfer to lifetime expected credit losses (non-impaired)	(8,882,609)	8,978,240	(95,631)	-
Transfer to lifetime expected credit losses (impaired)	(128,625)	(324,608)	453,233	-
Write-offs	-	(1)	(208,321)	-
Sales	(1,676,684)	(10,908)	(160)	-
Net increase (decrease) (execution, repayment, and others)	8,098,105	(625,683)	(175,507)	-
Ending	339,197,110	27,110,126	2,665,246	-

(In millions of Korean won)

	2021			Credit impaired approach
	12-month expected credit losses	Lifetime expected credit losses Non- impaired	Impaired	
Beginning	302,701,700	24,106,892	2,710,714	-
Transfer between stages:				
Transfer to 12-month expected credit losses	6,691,755	(6,585,306)	(106,449)	-
Transfer to lifetime expected credit losses (non-impaired)	(9,467,043)	9,613,093	(146,050)	-
Transfer to lifetime expected credit losses (impaired)	(120,947)	(459,983)	580,930	-
Write-offs	-	12	(108,167)	-
Sales	(1,663,061)	(3,787)	-	-
Net increase (decrease) (execution, repayment, and others)	8,477,269	(1,427,409)	(112,129)	-
Ending	306,619,673	25,243,512	2,818,849	-

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

11.1 Details of financial assets at fair value through profit or loss and financial investments as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Financial assets at fair value through profit or loss</b>		
Debt securities:		
Government and public bonds	2,916,909	2,690,148
Financial bonds	7,249,546	7,710,531
Corporate bonds	1,316,073	1,804,306
Asset-backed securities	205,807	197,865
Beneficiary certificates	4,987,493	4,634,210
Investment funds	416,222	378,712
Derivative-linked securities	29,965	-
Other debt securities	1,269,576	1,097,316
Equity securities:		
Stocks	125,036	113,724
Loans:		
Other loans	111,026	93,930
Others:		
Financial instruments indexed to the price of gold	104,076	113,622
	<u>18,731,729</u>	<u>18,834,364</u>
<b>Financial investments</b>		
Financial assets at fair value through other comprehensive income		
Debt securities:		
Government and public bonds	6,645,552	6,147,357
Financial bonds	18,287,486	18,681,163
Corporate bonds	12,597,930	12,529,985
Asset-backed securities	611,976	782,401
Equity securities:		
Stocks	2,862,635	3,144,131
Equity investments	15,555	25,669
Loans:		
Privately placed bonds	274,642	269,609
	<u>41,295,776</u>	<u>41,580,315</u>
Financial assets at amortized cost		
Debt securities:		
Government and public bonds	5,891,210	5,742,284
Financial bonds	4,102,246	3,376,623
Corporate bonds	7,727,442	6,358,169
Asset-backed securities	7,071,236	6,659,710
Other debt securities	31,284	31,106
Less: Allowances for credit losses	(3,646)	(3,298)
	<u>24,819,772</u>	<u>22,164,594</u>
	<u>66,115,548</u>	<u>63,744,909</u>



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11.2 Dividend income from equity securities designated at fair value through other comprehensive income for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

		2022		2021	
		From the equity securities derecognized	From the equity securities held	From the equity securities derecognized	From the equity securities held
Stocks	Listed	-	409	7,106	-
	Unlisted	-	9,499	-	10,475
		-	9,908	7,106	10,475

11.3 Derecognized equity securities measured at fair value through other comprehensive income for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

		2022		2021	
		Disposal price *	Accumulated other comprehensive loss as of disposal date	Disposal price *	Accumulated other comprehensive loss as of disposal date
Stocks	Listed	1,924	(352)	485,057	(256,122)
	Unlisted	-	-	419	(199)
		1,924	(352)	485,476	(256,321)

\* The stocks were disposed of according to the stock price increase and joint sale resolution.

11.4 Provision (reversal) for credit losses of financial investments for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

		2022		
		Provision	Reversal	Total
Financial assets at fair value through other comprehensive income		587	(435)	152
Securities measured at amortized cost		438	(91)	347
		1,025	(526)	499

(In millions of Korean won)

		2021		
		Provision	Reversal	Total
Financial assets at fair value through other comprehensive income		948	(119)	829
Securities measured at amortized cost		345	(312)	33
		1,293	(431)	862

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11.5 Changes in allowances for credit losses of financial investments for the three-month periods ended March 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>12-month expected credit losses</b>	<b>2022</b>	
		<b>Lifetime expected credit losses Non-impaired</b>	<b>Impaired</b>
Beginning	12,169	27	-
Transfer between stages:			
Transfer to 12-month expected credit losses	-	-	-
Transfer to lifetime expected credit losses	-	-	-
Sales	(261)	(1)	-
Provision for credit losses	498	1	-
Others (exchange differences, etc.)	(18)	1	-
Ending	12,388	28	-

*(In millions of Korean won)*

	<b>12-month expected credit losses</b>	<b>2021</b>	
		<b>Lifetime expected credit losses Non-impaired</b>	<b>Impaired</b>
Beginning	6,986	39	-
Transfer between stages:			
Transfer to 12-month expected credit losses	-	-	-
Transfer to lifetime expected credit losses	-	-	-
Sales	(566)	(2)	-
Provision for credit losses	860	2	-
Others (exchange differences, etc.)	44	2	-
Ending	7,324	41	-

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**12. Investments in Associates**

Details of investments in associates as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

	March 31, 2022					
	Ownership	Acquisition	Share of	Carrying	Industry	Location
	(%)	cost	net asset	amount		
Korea Credit Bureau Co., Ltd. <sup>1</sup>	9.00	4,500	4,023	4,023	Credit information	Korea
Balhae Infrastructure Company <sup>1</sup>	12.61	97,658	87,209	87,209	Investment finance	Korea
Incheon Bridge Co., Ltd. <sup>1</sup>	14.99	9,159	(18,226)	-	Operation of highways and related facilities	Korea
KB SPROTT Renewable Private Equity Fund No.1	30.00	14,360	13,398	13,398	Investment finance	Korea
KB Digital Innovation & Growth New Technology Business Investment Fund	45.00	4,500	4,079	4,079	Discovery of and investment in promising FinTech-business venture	Korea
KB Digital Platform Fund	46.67	12,600	12,307	12,308	Digital platform and Tech-based investment in promising companies	Korea
Future Planning KB Start-up Creation Fund	50.00	3,900	10,240	10,240	Investment finance	Korea
KB High-tech Company Investment Fund	50.00	1,500	10,342	10,342	Investment finance	Korea
Aju Good Technology Venture Fund	38.47	12,344	23,057	23,053	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund	33.33	4,400	5,086	5,086	Investment finance	Korea
KB-TS Technology Venture Private Equity Fund	30.00	6,900	9,840	9,840	Investment finance	Korea
KB Intellectual Property Fund No.2	37.50	15,000	13,765	14,515	Investment finance	Korea
KB Digital Innovation Investment Fund Limited Partnership	25.74	35,000	34,150	35,000	Investment finance	Korea
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	21.28	13,000	14,930	14,930	Investment finance	Korea
KB Global Platform Fund	22.73	42,000	49,029	49,029	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund	29.53	14,250	13,474	13,474	Investment finance	Korea
WJ Private Equity Fund No.1	26.95	10,000	9,673	9,674	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	28.57	10,000	9,676	9,676	Investment finance	Korea
KB Smart Scale Up Fund	25.00	39,000	39,040	39,040	Investment finance	Korea
KB Bio Global Expansion Private Equity Fund No.1	26.32	10,000	9,953	9,953	Investment finance	Korea
KB-KTB Technology Venture Fund	27.27	3,000	2,904	2,904	Investment finance	Korea
KB-SOLIDUS Healthcare Investment Fund	29.41	3,600	3,514	3,514	Investment finance	Korea
KB New Deal Innovation Fund	20.00	4,000	3,895	3,895	Investment finance	Korea
All Together Korea Fund No.2 <sup>2</sup>	99.99	10,000	10,097	10,097	Asset management	Korea
Shinla Construction Co., Ltd. <sup>3</sup>	20.17	-	(551)	-	Specialty construction	Korea
Terra Corporation <sup>3</sup>	24.06	-	2	-	Manufacture of fabricated and processed metal products	Korea
MJT&I Corp. <sup>3</sup>	22.89	-	(882)	-	Wholesale of other merchandise	Korea

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Jungdong Steel Co., Ltd. <sup>3</sup>	42.65	-	(433)	- Wholesale of primary metal	Korea
DSMETAL Co., Ltd. <sup>3</sup>	26.49	-	(101)	- Manufacture of metal door, windows, shutter and relevant products	Korea
Shinhwa Underwear Co., Ltd. <sup>3</sup>	26.05	-	(73)	167 Manufacture of underwear and sleepwear	Korea
Jaeyang Industry Co., Ltd. <sup>3</sup>	20.86	-	(552)	- Manufacture of luggage and other protective cases	Korea
Kendae Co., Ltd. <sup>3</sup>	41.01	-	(252)	98 Screen printing	Korea
Jinseung Tech Co., Ltd. <sup>3</sup>	30.04	-	(191)	- Manufacture of other general-purpose machinery	Korea
Dongjo Co., Ltd. <sup>3</sup>	29.29	-	(5)	- Wholesale of agricultural and forestry machinery and equipment	Korea
Korea NM Tech Co., Ltd. <sup>3</sup>	22.41	-	549	- Manufacture of motor vehicles, trailers and semitrailers	Korea
Jungdo Co., Ltd. <sup>3</sup>	25.34	-	1,105	- Office, commercial and institutional building construction	Korea
Dae-A Leisure Co., Ltd. <sup>3</sup>	49.36	-	523	- Earth works	Korea
Chongil Machine & Tools Co., Ltd. <sup>3</sup>	20.40	-	(171)	- Wholesale of machinery and equipment	Korea
Imt Technology Co., Ltd. <sup>3</sup>	25.29	-	34	15 Computer Peripherals Distribution	Korea
Iwon Alloy Co., Ltd. <sup>3</sup>	23.20	-	374	- Manufacture of smelting, refining and alloys	Korea
Computerlife Co., Ltd. <sup>3</sup>	25.41	-	(137)	43 Publishing of magazines and periodicals (publishing industry)	Korea
Skydigital Inc. <sup>3</sup>	20.40	-	(318)	- Manufacture of multimedia and video devices	Korea
Jo Yang Industrial Co., Ltd. <sup>3</sup>	22.77	-	(36)	- Manufacture of special glass	Korea
Il-Kwang Electronic Materials Co., Ltd. <sup>3</sup>	29.06	-	(555)	- Manufacture of electronic parts	Korea
So-Myung Recycling Co., Ltd. <sup>3</sup>	20.23	-	246	61 Manufacture of nonferrous metal	Korea
IDTECK Co., Ltd. <sup>3</sup>	20.54	-	42	164 Other manufacturing of wireless telecommunications equipment	Korea
PIP System Co., Ltd. <sup>3</sup>	20.72	-	27	- Print equipment	Korea
Gwang Myung Paper Co., Ltd. <sup>3</sup>	20.54	-	84	- Wholesale of luggage and other protective cases	Korea
D-Partner <sup>3</sup>	20.94	-	832	384 Backlight film	Korea
Inter Shipping Co., Ltd. <sup>3</sup>	42.09	-	(1,038)	- Sea freight water transport	Korea
Chunsung-meat Co., Ltd. <sup>3</sup>	26.74	-	270	- Wholesale of meat	Korea
DS Fashionbiz Co., Ltd. <sup>3</sup>	47.64	-	(1)	1 Manufacture of textiles	Korea
ALTSCS Co., Ltd. <sup>3</sup>	47.11	-	408	- Manufacture of motor vehicle parts	Korea
		380,671	374,655	396,212	

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	December 31, 2021					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Korea Credit Bureau Co., Ltd. <sup>1</sup>	9.00	4,500	4,497	4,497	Credit information	Korea
Balhae Infrastructure Company <sup>1</sup>	12.61	105,923	99,785	99,785	Investment finance	Korea
Incheon Bridge Co., Ltd. <sup>1</sup>	14.99	9,159	(19,481)	-	Operation of highways and related facilities	Korea
KB SPROTT Renewable Private Equity Fund No.1	30.00	4,613	3,726	3,726	Investment finance	Korea
KB Digital Innovation & Growth New Technology Business Investment Fund	45.00	4,500	4,098	4,098	Discovery of and investment in promising FinTech-business venture	Korea
KB Digital Platform Fund	46.67	12,600	12,599	12,599	Digital platform and Tech-based investment in promising companies	Korea
Future Planning KB Start-up Creation Fund	50.00	3,900	10,275	10,275	Investment finance	Korea
KB High-tech Company Investment Fund	50.00	1,500	10,493	10,493	Investment finance	Korea
Aju Good Technology Venture Fund	38.47	12,344	22,926	22,921	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund	33.33	4,400	5,895	5,895	Investment finance	Korea
KB-TS Technology Venture Private Equity Fund	30.00	7,650	9,015	9,015	Investment finance	Korea
KB Intellectual Property Fund No.2	37.50	15,000	13,838	14,588	Investment finance	Korea
KB Digital Innovation Investment Fund Limited Partnership	25.74	35,000	35,517	35,517	Investment finance	Korea
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	21.28	13,000	14,834	14,834	Investment finance	Korea
KB Global Platform Fund	22.73	42,000	49,946	49,946	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund	29.53	14,250	13,982	13,982	Investment finance	Korea
WJ Private Equity Fund No.1	26.95	10,000	9,604	9,604	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	28.57	10,000	9,571	9,571	Investment finance	Korea
KB Smart Scale Up Fund	25.00	31,000	31,217	31,217	Investment finance	Korea
KB Bio Global Expansion Private Equity Fund No.1	26.32	10,000	9,978	9,978	Investment finance	Korea
KB-KTB Technology Venture Fund	27.27	3,000	2,975	2,975	Investment finance	Korea
KB-SOLIDUS Healthcare Investment Fund	29.41	600	600	600	Investment finance	Korea
KB New Deal Innovation Fund	20.00	4,000	3,991	3,991	Investment finance	Korea
All Together Korea Fund No.2 <sup>2</sup>	99.99	10,000	10,070	10,070	Asset management	Korea
Shinla Construction Co., Ltd. <sup>3</sup>	20.17	-	(551)	-	Specialty construction	Korea
Terra Corporation <sup>3</sup>	24.06	-	2	-	Manufacture of fabricated and processed metal products	Korea
MJT&I Corp. <sup>3</sup>	22.89	-	(881)	-	Wholesale of other merchandise	Korea
Jungdong Steel Co., Ltd. <sup>3</sup>	42.65	-	(433)	-	Wholesale of primary metal	Korea
DSMETAL Co., Ltd. <sup>3</sup>	26.49	-	(100)	-	Manufacture of metal door, windows, shutter and relevant products	Korea

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Shinhwa Underwear Co., Ltd. <sup>3</sup>	26.05	-	(41)	198	Manufacture of underwear and sleepwear	Korea
Jaeyang Industry Co., Ltd. <sup>3</sup>	20.86	-	(552)	-	Manufacture of luggage and other protective cases	Korea
Kendae Co., Ltd. <sup>3</sup>	41.01	-	(252)	98	Screen printing	Korea
Jinseung Tech Co., Ltd. <sup>3</sup>	30.04	-	(206)	-	Manufacture of other general-purpose machinery	Korea
Dongjo Co., Ltd. <sup>3</sup>	29.29	-	712	21	Wholesale of agricultural and forestry machinery and equipment	Korea
Korea NM Tech Co., Ltd. <sup>3</sup>	22.41	-	552	-	Manufacture of motor vehicles, trailers and semitrailers	Korea
Jungdo Co., Ltd. <sup>3</sup>	25.34	-	1,105	-	Office, commercial and institutional building construction	Korea
Dae-A Leisure Co., Ltd. <sup>3</sup>	49.36	-	833	-	Earth works	Korea
Chongil Machine & Tools Co., Ltd. <sup>3</sup>	20.40	-	(171)	-	Wholesale of machinery and equipment	Korea
Imt Technology Co., Ltd. <sup>3</sup>	25.29	-	25	6	Computer Peripherals Distribution	Korea
Iwon Alloy Co., Ltd. <sup>3</sup>	23.20	-	394	-	Manufacture of smelting, refining and alloys	Korea
Carlfe Co., Ltd. <sup>3</sup>	24.39	-	(62)	13	Publishing of magazines and periodicals (publishing industry)	Korea
Computerlife Co., Ltd. <sup>3</sup>	25.41	-	(137)	44	Publishing of magazines and periodicals (publishing industry)	Korea
Skydigital Inc. <sup>3</sup>	20.40	-	(316)	-	Manufacture of multimedia and video devices	Korea
Jo Yang Industrial Co., Ltd. <sup>3</sup>	22.77	-	(29)	-	Manufacture of special glass	Korea
Il-Kwang Electronic Materials Co., Ltd. <sup>3</sup>	29.06	-	(557)	-	Manufacture of electronic parts	Korea
So-Myung Recycling Co., Ltd. <sup>3</sup>	20.23	-	215	31	Manufacture of nonferrous metal	Korea
IDTECK Co., Ltd. <sup>3</sup>	20.54	-	(208)	-	Other manufacturing of wireless telecommunications equipment	Korea
PIP System Co., Ltd. <sup>3</sup>	20.72	-	27	-	Print equipment	Korea
Gwang Myung Paper Co., Ltd. <sup>3</sup>	20.54	-	84	-	Wholesale of luggage and other protective cases	Korea
D-Partner <sup>3</sup>	20.94	-	816	369	Backlight film	Korea
Inter Shipping Co., Ltd. <sup>3</sup>	42.09	-	(17)	-	Sea freight water transport	Korea
Chunsung-meat Co., Ltd. <sup>3</sup>	26.74	-	270	-	Wholesale of meat	Korea
DS Fashionbiz Co., Ltd. <sup>3</sup>	47.64	-	(1)	-	Manufacture of textiles	Korea
		368,939	370,472	390,957		

<sup>1</sup> As of March 31, 2022 and December 31, 2021, the Group can exercise significant influence on the decision-making processes of the associate's financial and business policies through participation in governing bodies.

<sup>2</sup> As of March 31, 2022 and December 31, 2021, the Group participates in the investment management committee but cannot exercise control.

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

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Although the Group holds 20% or more of the ownership in several investment trusts including KB Hanbando BTL Private Special Asset Fund No.1, those investment trusts are excluded from associates because the Group's influence on those trusts is limited according to the trust agreement. In addition, the Group holds 20% or more of its ownership in Seokwang T&I Co., Ltd. and eight other companies, but those companies are excluded from associates, because the Group's influence on those companies is limited due to the status of those companies such as bankruptcy and rehabilitation proceedings.

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

Details of deferred income tax assets and liabilities as of March 31, 2022 and December 31, 2021, are as follows:

*(In millions of Korean won)*

	March 31, 2022		
	Assets	Liabilities	Net amount
Other provisions	81,743	-	81,743
Impairment losses of property and equipment	5,253	-	5,253
Share-based payments	12,066	-	12,066
Provisions for acceptances and guarantees	36,150	-	36,150
Gains or losses on valuation of derivatives	-	(108,055)	(108,055)
Present value discount	-	(852)	(852)
Gains or losses on fair value hedge	-	(55,265)	(55,265)
Accrued interest	-	(49,562)	(49,562)
Deferred loan origination fees and costs	9,503	(132,720)	(123,217)
Gains or losses on revaluation	-	(274,514)	(274,514)
Investments in subsidiaries and others	37,633	(146,094)	(108,461)
Gains or losses on valuation of security investment	-	(272,221)	(272,221)
Defined benefit liabilities	464,962	-	464,962
Accrued expenses	84,981	-	84,981
Retirement insurance expense	-	(374,008)	(374,008)
Adjustments to the prepaid contributions	-	(29,516)	(29,516)
Others	453,873	(128,412)	325,461
	1,186,164	(1,571,219)	(385,055)
Offsetting of deferred income tax assets and liabilities	(1,022,216)	1,022,216	-
	163,948	(549,003)	(385,055)

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	December 31, 2021		
	Assets	Liabilities	Net amount
Other provisions	77,907	-	77,907
Impairment losses of property and equipment	7,446	-	7,446
Share-based payments	15,687	-	15,687
Provisions for acceptances and guarantees	33,091	-	33,091
Gains or losses on valuation of derivatives	-	(74,111)	(74,111)
Present value discount	-	(142)	(142)
Gains or losses on fair value hedge	-	(14,642)	(14,642)
Accrued interest	-	(42,882)	(42,882)
Deferred loan origination fees and costs	8,596	(138,398)	(129,802)
Gains or losses on revaluation	-	(277,471)	(277,471)
Investments in subsidiaries and others	32,602	(138,609)	(106,007)
Gains or losses on valuation of security investment	-	(501,409)	(501,409)
Defined benefit liabilities	472,722	-	472,722
Accrued expenses	148,726	-	148,726
Retirement insurance expense	-	(441,633)	(441,633)
Adjustments to the prepaid contributions	-	(29,273)	(29,273)
Others	434,703	(124,602)	310,101
	1,231,480	(1,783,172)	(551,692)
Offsetting of deferred income tax assets and liabilities	(1,081,611)	1,081,611	-
	149,869	(701,561)	(551,692)

#### 14. Deposits

Details of deposits as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

	March 31, 2022	December 31, 2021
<b>Demand deposits</b>		
Demand deposits in Korean won	176,030,028	174,210,942
Demand deposits in foreign currencies	13,140,947	15,192,711
	189,170,975	189,403,653
<b>Time deposits</b>		
Time deposits in Korean won	156,606,418	153,934,550
Time deposits in foreign currencies	16,344,723	15,688,844
Fair value adjustments of fair value hedged time deposits in foreign currencies	(5,521)	(1,319)
	172,945,620	169,622,075
<b>Certificates of deposits</b>	4,497,740	4,115,688
	366,614,335	363,141,416



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**15. Borrowings**

15.1 Details of borrowings as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
General borrowings	33,746,255	30,051,040
Bonds sold under repurchase agreements and others	1,010,595	834,455
Call money	1,283,085	1,637,666
	<b>36,039,935</b>	<b>32,523,161</b>

15.2 Details of general borrowings as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>			<b>Annual interest rate (%)</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
	<b>Lenders</b>				
<b>Borrowings in Korean won</b>	Borrowings from the Bank of Korea	The Bank of Korea	0.25	7,559,498	7,131,019
	Borrowings from the government	SEMAS and others	0.00~2.70	2,713,951	2,683,056
	Borrowings from non-banking financial institutions	The Korea Development Bank	0.20~1.45	429,897	432,310
	Other borrowings	The Korea Development Bank and others	0.00~4.90	5,546,716	5,460,862
				<b>16,250,062</b>	<b>15,707,247</b>
<b>Borrowings in foreign currencies</b>	Due to banks	Hana Bank and others	-	1,855	2,143
	Borrowings from banks	Central Bank of Uzbekistan and others	0.00~13.50	14,842,774	12,364,349
	Borrowings from other financial institutions	The Export-Import Bank of Korea and others	1.13~2.15	31,939	24,867
	Other borrowings	Standard Chartered Bank and others	-	2,619,625	1,952,434
				<b>17,496,193</b>	<b>14,343,793</b>
				<b>33,746,255</b>	<b>30,051,040</b>

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**16. Debentures**

Details of debentures as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>Annual interest rate (%)</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Debentures in Korean won</b>			
Structured debentures	5.65~5.86	30,850	30,910
Subordinated fixed rate debentures	2.02~4.35	5,290,594	5,292,957
Fixed rate debentures	0.80~13.70	9,455,074	11,276,086
Floating rate debentures	1.51~1.65	5,788,645	5,310,000
		<u>20,565,163</u>	<u>21,909,953</u>
Fair value adjustments of fair value hedged debentures in Korean won		(164,921)	(79,877)
Less: Discount on debentures in Korean won		(11,216)	(14,685)
		<u>20,389,026</u>	<u>21,815,391</u>
<b>Debentures in foreign currencies</b>			
Floating rate debentures	0.40~1.78	1,954,231	1,948,962
Fixed rate debentures	0.05~12.00	6,814,075	5,949,105
		<u>8,768,306</u>	<u>7,898,067</u>
Fair value adjustments of fair value hedged debentures in foreign currencies		(30,523)	27,952
Less: Discount on debentures in foreign currencies		(29,870)	(22,676)
		<u>8,707,913</u>	<u>7,903,343</u>
		<u>29,096,939</u>	<u>29,718,734</u>

**17. Provisions**

17.1 Details of provisions as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Provisions for credit losses of unused loan commitments	137,361	147,765
Provisions for credit losses of acceptances and guarantees	132,451	121,148
Provisions for restoration costs	130,973	128,407
Others	30,474	29,547
	<u>431,259</u>	<u>426,867</u>

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17.2 Changes in provisions for credit losses of unused loan commitments, and acceptances and guarantees for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022					
	Provisions for credit losses of unused loan commitments			Provisions for credit losses of acceptances and guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired		Non-impaired	Impaired
Beginning	94,183	53,582	-	27,441	82,170	11,537
Transfer between stages:						
Transfer to 12-month expected credit losses	3,171	(3,171)	-	52	(52)	-
Transfer to lifetime expected credit losses	(2,145)	2,148	(3)	(105)	105	-
Impairment	(5)	(65)	70	(9)	(137)	146
Provision (reversal) for credit losses	(4,517)	(6,449)	81	1,071	8,297	(543)
Others (exchange differences, etc.)	251	229	1	1,329	1,238	(89)
Ending *	90,938	46,274	149	29,779	91,621	11,051

(In millions of Korean won)

	2021					
	Provisions for credit losses of unused loan commitments			Provisions for credit losses of acceptances and guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired		Non-impaired	Impaired
Beginning	81,709	78,119	-	33,190	14,838	14,328
Transfer between stages:						
Transfer to 12-month expected credit losses	2,235	(2,233)	(2)	17	(17)	-
Transfer to lifetime expected credit losses	(2,292)	2,293	(1)	(122)	122	-
Impairment	(4)	(72)	76	-	(47)	47
Provision (reversal) for credit losses	(6,528)	(7,515)	(73)	6,415	15,964	3,714
Others (exchange differences, etc.)	367	907	-	721	262	104
Ending *	75,487	71,499	-	40,221	31,122	18,193

\* Includes additional provisions of ₩ 15,535 million and ₩ 15,654 million for industries and borrowers which are highly affected by COVID-19 and ₩ 6,575 million and ₩ 18,368 million due to expanding the scope of the loans subject to lifetime expected credit losses (non-impaired) as of March 31, 2022 and 2021, respectively.

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17.3 Changes in provisions for restoration costs for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
Beginning	128,407	131,674
Provision	3,524	428
Reversal	(94)	(150)
Used	(1,475)	(2,892)
Unwinding of discount	611	349
Ending	<u>130,973</u>	<u>129,409</u>

Provisions for restoration costs are the present value of estimated costs to be incurred for the restoration of the leased properties. The expenditure of the restoration cost will be incurred at the end of each lease contract, and the lease period is used to reasonably estimate the time of expenditure. Also, the average restoration expense based on actual three-year historical data and three-year historical average inflation rate are used to estimate the present value of estimated costs.

17.4 Changes in other provisions for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>2022</b>				
	<b>Membership rewards program</b>	<b>Dormant accounts</b>	<b>Litigations</b>	<b>Financial guarantee contracts</b>	<b>Others</b>
Beginning	43	3,062	10,119	5,285	11,038
Provision	26	266	211	1,330	344
Used and others	(17)	(499)	35	(769)	-
Ending	<u>52</u>	<u>2,829</u>	<u>10,365</u>	<u>5,846</u>	<u>11,382</u>

(In millions of Korean won)

	<b>2021</b>				
	<b>Membership rewards program</b>	<b>Dormant accounts</b>	<b>Litigations</b>	<b>Financial guarantee contracts</b>	<b>Others</b>
Beginning	35	3,008	9,969	6,347	14,797
Provision (reversal)	19	1,034	292	523	(3,819)
Used and others	(18)	(1,010)	26	-	150
Ending	<u>36</u>	<u>3,032</u>	<u>10,287</u>	<u>6,870</u>	<u>11,128</u>

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**18. Net Defined Benefit Liabilities**

18.1 Defined Benefit Plan

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

- The Group has the obligation to pay the agreed benefits to all its current and former employees.
- The Group assumes actuarial risk (that benefits will cost more than expected) and investment risk.

The net defined benefit liabilities recognized in the consolidated statements of financial position are calculated in accordance with actuarial valuation method using assumptions based on market data and historical data such as discount rate, future salary increase rate, and mortality. Actuarial assumptions may differ from actual results, due to changes in the market conditions, economic trends, and mortality trends.

18.2 Details of net defined benefit liabilities as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Present value of defined benefit obligation	1,804,929	1,847,905
Fair value of plan assets	(1,603,263)	(1,692,621)
Net defined benefit liabilities	201,666	155,284

**19. Equity**

19.1 Capital Stock

Details of capital stock as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won and in number of shares)</i>	<b>Ordinary shares</b>	
	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Type of share	Ordinary share	Ordinary share
Number of authorized shares	1,000,000,000	1,000,000,000
Par value per share <i>(In Korean won)</i>	5,000	5,000
Number of issued shares	404,379,116	404,379,116
Capital stock	2,021,896	2,021,896

19.2 Hybrid Security

Details of hybrid security classified as equity as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>Issuance date</b>	<b>Maturity</b>	<b>Interest rate (%)</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Amortized Conditional Capital Securities	July 2, 2019	Permanent	4.35	574,523	574,523

Above hybrid securities are early redeemable by the Group after 5 years from the issuance date and each interest payment date thereafter.

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19.3 Capital Surplus

Details of capital surplus as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Paid-in capital in excess of par value	4,604,417	4,604,417
Gains on business combination	397,669	397,669
Revaluation reserve	177,229	177,229
Other capital surplus	(153,980)	(153,980)
	<u>5,025,335</u>	<u>5,025,335</u>

19.4 Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Remeasurements of net defined benefit liabilities	(300,872)	(292,232)
Currency translation differences	130,936	68,224
Losses on debt securities measured at fair value through other comprehensive income	(408,099)	(186,463)
Gains on equity securities measured at fair value through other comprehensive income	1,627,283	1,838,548
Share of other comprehensive loss of associates	(2,349)	(2,526)
Gains (losses) on cash flow hedging instruments	6,600	(89)
Losses on hedging instruments of net investments in foreign operations	(50,006)	(30,306)
	<u>1,003,493</u>	<u>1,395,156</u>

19.5 Retained Earnings

19.5.1 Details of retained earnings as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Legal reserves	2,044,631	2,043,729
Regulatory reserve for credit losses	2,915,162	2,534,401
Voluntary reserves	17,739,062	16,742,471
Unappropriated retained earnings	894,769	2,340,120
	<u>23,593,624</u>	<u>23,660,721</u>

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

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19.5.2 Regulatory reserve for credit losses

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

19.5.2.1 Details of regulatory reserve for credit losses as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Regulatory reserve for credit losses attributable to:		
Shareholder of the Parent Company	2,952,219	2,915,162
Non-controlling interests	64,412	60,265
	<u>3,016,631</u>	<u>2,975,427</u>

19.5.2.2 Regulatory reserve for credit losses estimated to be appropriated and adjusted profit after provision of regulatory reserve for credit losses for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Regulatory reserve for credit losses estimated to be appropriated	37,057	41,377
Adjusted profit after provision of regulatory reserve for credit losses *	940,218	647,116

\* Adjusted profit after provision of regulatory reserve for credit losses is not based on Korean IFRS. It is calculated by reflecting provision of regulatory reserve for credit losses before tax to the net profit attributable to shareholder of the Parent Company.

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**20. Net Interest Income**

Details of interest income, interest expense, and net interest income for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Interest income</b>		
Securities measured at fair value through profit or loss	52,319	37,919
Loans measured at fair value through profit or loss	538	-
Securities measured at fair value through other comprehensive income	120,745	117,324
Loans measured at fair value through other comprehensive income	878	448
Due from financial institutions measured at amortized cost	7,030	7,347
Securities measured at amortized cost	114,619	66,285
Loans measured at amortized cost	2,708,078	2,261,052
Others	74,470	53,231
	<u>3,078,677</u>	<u>2,543,606</u>
<b>Interest expense</b>		
Deposits	695,851	552,628
Borrowings	77,201	62,050
Debentures	137,133	107,122
Others	28,929	12,804
	<u>939,114</u>	<u>734,604</u>
<b>Net interest income</b>	<u>2,139,563</u>	<u>1,809,002</u>

Interest income recognized on impaired loans is ₩ 3,996 million and ₩ 4,527 million for the three-month periods ended March 31, 2022 and 2021, respectively.



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**21. Net Fee and Commission Income**

Details of fee and commission income, fee and commission expense, and net fee and commission income for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Fee and commission income</b>		
Banking activity fees	46,353	47,040
Lending activity fees	15,801	21,094
Credit card related fees	419	542
Debit card related fees	143	136
Agent activity fees	58,740	64,644
Trust and other fiduciary fees	62,180	101,187
Acceptances and guarantees fees	12,999	11,099
Foreign currency related fees	34,393	29,097
Securities agency fees	26,583	45,059
Other business account commission on consignment	12,553	12,943
Others	97,395	71,764
	<u>367,559</u>	<u>404,605</u>
<b>Fee and commission expense</b>		
Trading activity related fees *	3,123	2,629
Lending activity fees	11,348	10,920
Credit card related fees	7,489	5,535
Outsourcing related fees	20,073	19,764
Foreign currency related fees	4,988	3,554
Management fees of written-off loans	2,831	4,283
Contributions to external institutions	7,210	5,779
Others	39,715	35,250
	<u>96,777</u>	<u>87,714</u>
<b>Net fee and commission income</b>	<u>270,782</u>	<u>316,891</u>

\* Fees from financial instruments at fair value through profit or loss

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**22. Net Gains or Losses on Financial Instruments at Fair Value through Profit or Loss**

Net gains or losses on financial instruments at fair value through profit or loss include dividend income, gains or losses arising from changes in fair value, and gains or losses arising from sales and redemptions.

Details of net gains or losses on financial instruments at fair value through profit or loss for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
<b>Gains on financial instruments at fair value through profit or loss</b>		
Financial assets at fair value through profit or loss:		
Debt securities	119,265	92,290
Equity securities	14,915	15,412
	<u>134,180</u>	<u>107,702</u>
Derivatives held for trading:		
Interest rate	3,358,869	1,723,301
Currency	2,099,864	2,833,533
Stock or stock index	15	486
Credit	4,083	-
Others	149	774
	<u>5,462,980</u>	<u>4,558,094</u>
Financial liabilities at fair value through profit or loss	1,052	212
Other financial instruments	75	42
	<u>5,598,287</u>	<u>4,666,050</u>
<b>Losses on financial instruments at fair value through profit or loss</b>		
Financial assets at fair value through profit or loss:		
Debt securities	298,580	104,747
Equity securities	8,695	7,004
	<u>307,275</u>	<u>111,751</u>
Derivatives held for trading:		
Interest rate	3,058,020	1,699,868
Currency	2,195,915	2,724,861
Stock or stock index	-	14
Credit	3,807	-
Others	1,163	1,071
	<u>5,258,905</u>	<u>4,425,814</u>
Financial liabilities at fair value through profit or loss	52	120
Other financial instruments	8	39
	<u>5,566,240</u>	<u>4,537,724</u>
<b>Net gains on financial instruments at fair value through profit or loss</b>	<u>32,047</u>	<u>128,326</u>

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**23. Net Other Operating Income and Expenses**

Details of other operating income and expenses for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Other operating income</b>		
Gains on financial assets at fair value through other comprehensive income:		
Gains on redemption of securities measured at fair value through other comprehensive income	3	2
Gains on disposal of securities measured at fair value through other comprehensive income	5,796	46,287
Gains on financial assets at amortized cost:		
Gains on sale of loans measured at amortized cost	5,692	5,596
Gains on foreign exchange transactions	505,084	574,206
Dividend income	9,909	17,581
Others	358,898	159,115
	<u>885,382</u>	<u>802,787</u>
<b>Other operating expenses</b>		
Losses on financial assets at fair value through other comprehensive income:		
Losses on redemption of securities measured at fair value through other comprehensive income	327	17
Losses on disposal of securities measured at fair value through other comprehensive income	5,878	1,801
Losses on financial assets at amortized cost:		
Losses on sale of loans measured at amortized cost	2	-
Losses on redemption of securities measured at amortized cost	-	3
Losses on foreign exchange transactions	486,420	638,273
Deposit insurance fee	121,538	116,925
Credit guarantee fund fee	65,784	63,937
Others	403,452	203,432
	<u>1,083,401</u>	<u>1,024,388</u>
<b>Net other operating expenses</b>	<u>(198,019)</u>	<u>(221,601)</u>

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**24. General and Administrative Expenses**

Details of general and administrative expenses for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Expenses related to employee</b>		
Employee benefits - salaries	437,534	412,840
Employee benefits - welfare	175,453	212,927
Post-employment benefits - defined benefit plans	40,472	39,205
Post-employment benefits - defined contribution plans	2,325	1,991
Termination benefits	-	(3,433)
Share-based payments	7,069	10,916
	<u>662,853</u>	<u>674,446</u>
<b>Depreciation and amortization</b>	<u>126,260</u>	<u>134,570</u>
<b>Other general and administrative expenses</b>		
Rental expense	18,133	18,012
Tax and dues	35,131	31,215
Communication	9,063	9,398
Electricity and utilities	7,407	7,298
Publication	1,539	1,924
Repairs and maintenance	6,444	7,749
Vehicle	2,898	2,635
Travel	1,228	893
Training	4,238	8,759
Service fees	37,499	35,028
Supplies	6,322	4,691
Electronic data processing expenses	43,621	36,029
Others	58,246	51,993
	<u>231,769</u>	<u>215,624</u>
	<u>1,020,882</u>	<u>1,024,640</u>

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**25. Income Tax Expense**

Details of income tax expense for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Income tax payable</b>		
Current income tax expense	312,809	89,073
Adjustments of income tax of prior years recognized in current tax	(66,539)	22,984
	<u>246,270</u>	<u>112,057</u>
Changes in deferred income tax assets and liabilities	(166,636)	155,776
Income tax expense of overseas branches	7,865	4,022
Income tax recognized directly in equity:		
Net gains or losses on equity instruments at fair value through other comprehensive income	80,135	(81,280)
Net gains or losses on debt instruments at fair value through other comprehensive income	84,123	32,036
Currency translation differences	(4,021)	(6,224)
Remeasurements of net defined benefit liabilities	3,390	1,123
Gains or losses on hedging instruments of net investments in foreign operations	7,472	11,539
Gains or losses on cash flow hedging instruments	(2,537)	(902)
Share of other comprehensive income or loss of associates	(67)	(128)
	<u>168,495</u>	<u>(43,836)</u>
Reclassification from AOCI to retained earnings due to sale of equity securities measured at fair value through other comprehensive income	97	70,488
Consolidated tax return effect	(17,699)	(17,586)
Others	2,523	(223)
<b>Income tax expense</b>	<u>240,915</u>	<u>280,698</u>

**26. Dividends**

The annual dividends to the shareholder of the Bank for the year ended December 31, 2021, amounting to ₩ 1,031,167 million (₩ 2,550 per share) were paid in March 2022.

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

Changes in accumulated other comprehensive income (loss) for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>2022</b>					
	<b>Beginning</b>	<b>Changes (excluding reclassifica- tion)</b>	<b>Reclassification to profit or loss</b>	<b>Tax effect</b>	<b>Transfer to retained earnings</b>	<b>Ending</b>
Remeasurements of net defined benefit liabilities	(292,232)	(12,030)	-	3,390	-	(300,872)
Currency translation differences	68,224	66,733	-	(4,021)	-	130,936
Losses on debt securities measured at fair value through other comprehensive income	(186,463)	(451,501)	145,742	84,123	-	(408,099)
Gains on equity securities measured at fair value through other comprehensive income	1,838,548	(291,752)	-	80,135	352	1,627,283
Share of other comprehensive loss of associates	(2,526)	244	-	(67)	-	(2,349)
Gains (losses) on cash flow hedging instruments	(89)	9,221	5	(2,537)	-	6,600
Losses on hedging instruments of net investments in foreign operations	(30,306)	(27,172)	-	7,472	-	(50,006)
	<u>1,395,156</u>	<u>(706,257)</u>	<u>145,747</u>	<u>168,495</u>	<u>352</u>	<u>1,003,493</u>

(In millions of Korean won)

	<b>2021</b>					
	<b>Beginning</b>	<b>Changes (excluding reclassifica- tion)</b>	<b>Reclassification to profit or loss</b>	<b>Tax effect</b>	<b>Transfer to retained earnings</b>	<b>Ending</b>
Remeasurements of net defined benefit liabilities	(220,178)	(3,483)	-	1,123	-	(222,538)
Currency translation differences	(118,526)	85,557	-	(6,224)	-	(39,193)
Gains on debt securities measured at fair value through other comprehensive income	88,478	(106,768)	(7,360)	32,036	-	6,386
Gains on equity securities measured at fair value through other comprehensive income	733,332	39,242	-	(81,280)	256,321	947,615
Share of other comprehensive loss of associates	(2,691)	467	-	(128)	-	(2,352)
Losses on cash flow hedging instruments	(10,073)	2,692	587	(902)	-	(7,696)
Gains (losses) on hedging instruments of net investments in foreign operations	24,103	(41,963)	-	11,539	-	(6,321)
	<u>494,445</u>	<u>(24,256)</u>	<u>(6,773)</u>	<u>(43,836)</u>	<u>256,321</u>	<u>675,901</u>

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**28. Trust Accounts**

28.1 Total assets of the trust accounts the Group manages, as of March 31, 2022 and December 31, 2021, and operating revenues for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	Total assets		Operating revenues	
	March 31, 2022	December 31, 2021	2022	2021
Consolidated	4,336,423	4,372,406	25,371	31,715
Unconsolidated (non-guaranteed)	70,402,952	68,491,476	530,961	701,632
	<u>74,739,375</u>	<u>72,863,882</u>	<u>556,332</u>	<u>733,347</u>

\* Financial information of the trust accounts has been prepared in accordance with the Statement of Korea Accounting Standard No.5004, *Trust Accounts*, and enforcement regulations of the Financial Investment Services under the Financial Investment Services and Capital Markets Act.

28.2 Significant receivables and payables related to the Group's trust accounts as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

		March 31, 2022	December 31, 2021
<b>Trust segment</b>	<b>Receivables</b>		
	Accrued trust fees	51,198	30,288
	Other accrued income	28,427	23,848
		<u>79,625</u>	<u>54,136</u>
	<b>Payables</b>		
	Due to trust accounts	1,672,763	1,019,236
	Accrued interest on due to trust accounts	5,313	3,949
	Deposits	483,861	485,126
	Accrued interest on deposits	2,286	1,735
		<u>2,164,223</u>	<u>1,510,046</u>
<b>Custody segment</b>	<b>Receivables</b>		
	Accrued trust fees	7,479	7,689
	<b>Payables</b>		
	Due to trust accounts	5,142,938	6,014,613
	Accrued interest on due to trust accounts	4,187	3,599
		<u>5,147,125</u>	<u>6,018,212</u>

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28.3 Significant revenues and expenses related to the Group's trust accounts for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

		<b>2022</b>	<b>2021</b>
<b>Trust segment</b>	<b>Revenues</b>		
	Fees and commissions from trust accounts	52,702	92,573
	Management fees and commissions from retirement pension	8,723	7,743
	Commissions from early termination in trust accounts	4	11
		<u>61,429</u>	<u>100,327</u>
	<b>Expenses</b>		
	Interest expenses on due to trust accounts	5,314	2,593
<b>Custody segment</b>	Interest expenses on deposits	2,484	552
		<u>7,798</u>	<u>3,145</u>
	<b>Revenues</b>		
	Fees and commissions from trust accounts	9,478	8,613
	<b>Expenses</b>		
	Interest expenses on due to trust accounts	12,220	3,192



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**29. Statement of Cash Flows**

29.1 Details of cash and cash equivalents as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Cash	2,383,918	2,494,543
Checks issued by other banks	301,075	150,047
Due from the Bank of Korea	14,612,342	16,038,651
Due from other financial institutions	5,468,526	6,481,750
	<u>22,765,861</u>	<u>25,164,991</u>
Deduction:		
Restricted due from financial institutions	(15,975,218)	(17,865,725)
Due from financial institutions with original maturities over three months	(315,422)	(302,075)
	<u>(16,290,640)</u>	<u>(18,167,800)</u>
	<u>6,475,221</u>	<u>6,997,191</u>

29.2 Cash inflows and outflows from income tax, interest, and dividends for the three-month periods ended March 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>Activities</b>	<b>2022</b>	<b>2021</b>
Income tax paid	Operating	76,544	63,663
Interest received	Operating	3,038,920	2,587,930
Interest paid	Operating	787,527	854,588
Dividends received	Operating	33,350	47,795
Dividends paid	Financing	1,031,167	917,941
Interest (dividends) paid on hybrid securities	Financing	12,950	11,831

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**30. Contingent Liabilities and Commitments**

30.1 Details of acceptances and guarantees as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Confirmed acceptances and guarantees</b>		
Confirmed acceptances and guarantees in Korean won:		
Acceptances and guarantees for KB purchasing loan	178,988	136,914
Performance bond	3,476	3,476
Refund guarantees	15,496	27,811
Others	793,064	786,183
	<u>991,024</u>	<u>954,384</u>
Confirmed acceptances and guarantees in foreign currencies:		
Acceptances of letter of credit	537,676	523,037
Letter of guarantees	116,751	83,089
Bid bond	24,181	18,874
Performance bond	952,606	855,247
Refund guarantees	1,190,347	874,173
Others	2,568,478	2,518,394
	<u>5,390,039</u>	<u>4,872,814</u>
Financial guarantee contracts:		
Acceptances and guarantees for issuance of debenture	5,040	5,040
Acceptances and guarantees for mortgage	51,903	51,053
Overseas debt guarantees	455,887	428,108
International financing guarantees in foreign currencies	134,933	132,114
Other financial guarantees in Korean won	50,950	50,950
	<u>698,713</u>	<u>667,265</u>
	<u>7,079,776</u>	<u>6,494,463</u>
<b>Unconfirmed acceptances and guarantees</b>		
Guarantees of letter of credit	3,143,376	3,551,767
Refund guarantees	952,568	833,765
	<u>4,095,944</u>	<u>4,385,532</u>
	<u>11,175,720</u>	<u>10,879,995</u>

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30.2 Details of commitments as of March 31, 2022 and December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Commitments</b>		
Corporate loan commitments	44,919,723	44,763,099
Retail loan commitments	47,892,971	47,048,097
Other commitments in Korean won	1,700,000	1,300,000
Purchase of other securities	3,968,358	4,024,709
	<u>98,481,052</u>	<u>97,135,905</u>
<b>Financial guarantee contracts</b>		
Credit line	4,818,229	4,858,585
Purchase of securities	490,200	495,400
	<u>5,308,429</u>	<u>5,353,985</u>
	<u>103,789,481</u>	<u>102,489,890</u>

30.3 Other Matters (including litigation)

a) The Group has 55 pending lawsuits as a plaintiff (excluding simple lawsuits related to the collection or management of loans), with aggregate claims amount of ₩ 234,854 million, and details of pending lawsuits in which the Group is a defendant as of March 31, 2022, are as follows:

*(In number of cases, in millions of Korean won)*

<b>Lawsuits</b>	<b>No. of cases</b>	<b>Amount</b>	<b>Description of the lawsuits</b>	<b>Status of the lawsuits</b>
Request for a return of redemption amount	1	48,068	Kookmin Bank invested the assets entrusted by OO Asset Management and OO Investment Trust Management in the Fairfield Sentry Limited, and Fairfield Sentry Limited reinvested the assets in Bernard L. Madoff Investment Securities LLC managed by Bernard Madoff (Bernard L. Madoff Investment Securities LLC is in the liquidation process due to Ponzi scheme fraud-related losses). Bankruptcy trustee of Bernard L. Madoff Investment Securities LLC filed a lawsuit against Kookmin Bank seeking to return the amount of redemptions received by Kookmin Bank through Fairfield Sentry Limited.	Application for dismissal by the defendant has been denied, and further proceedings are scheduled. [Related litigation is in progress at the New York Southern District Bankruptcy Court (10-3777) at the written complaint review stage]
Confirm the absence of debt	1	96,200	Galamat-Art LLP is a joint guarantor of the PF loan for the 'Kazakhstan Almaty City Complex Development Project' in which Kookmin Bank participated as a lender. OO Bank, the agent bank of the lending group, filed a provisional seizure and a lawsuit on the merits of the guarantee debt to the local court against Galamat-Art LLP. And Galamat-Art LLP filed a counterclaim against the lenders, including Kookmin Bank, to confirm the absence of debt denying the joint guarantee obligation.	Decision in the first trial on December 29, 2021. Won both lawsuits on the merits and counterclaim.  Decision in the second trial on April 19, 2022. Won both lawsuits on the merits and counterclaim.
Others	119	179,414	Others (excluding simple lawsuits related to the collection or management of loans)	
	<u>121</u>	<u>323,682</u>		

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b) The proliferation of COVID-19 has had a negative impact on the global economy, which may have an impact on the expected credit losses and potential impairment of assets in a particular portfolio, and it could negatively affect the revenue generation capability of the Group as follows:

- There is a possibility of uncertainty about the credit risk of a borrower that could be affected by COVID-19.
- Uncertainty may arise about forward-looking macroeconomic information related to expected credit losses.
- Korean won may depreciate against major foreign currencies. This may result in an increase in principal and interest payments on liabilities denominated in foreign currencies, and losses on foreign exchange transactions.
- A significant decrease in the fair value of the Group's investment in an entity that could be affected by COVID-19 pandemic can occur.

Meanwhile, the impact on expected credit losses is described in Note 10.1 Changes in allowances for credit losses of loans and Note 17.2 Changes in provisions for credit losses of unused loan commitments, and acceptances and guarantees.

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**31. Subsidiaries**

31.1 Details of subsidiaries as of March 31, 2022, are as follows:

Investor	Investee	Ownership (%)	Location	Industry
Kookmin Bank	Kookmin Bank Cambodia Plc.	100.00	Cambodia	Banking and foreign exchange transaction
Kookmin Bank	Kookmin Bank (China) Ltd.	100.00	China	Banking and foreign exchange transaction
Kookmin Bank	KB Microfinance Myanmar Co., Ltd.	100.00	Myanmar	Microfinance services
Kookmin Bank	KB BANK MYANMAR LTD	100.00	Myanmar	Banking and foreign exchange transaction
Kookmin Bank	PRASAC Microfinance Institution Plc.	100.00	Cambodia	Microfinance services
Kookmin Bank	PT Bank KB Bukopin Tbk	67.00	Indonesia	Banking and foreign exchange transaction
PT Bank KB Bukopin Tbk	PT Bank Syariah Bukopin	92.78	Indonesia	Banking
PT Bank KB Bukopin Tbk	PT Bukopin Finance	97.04	Indonesia	Installment financing
Kookmin Bank	Personal pension trust and 10 others <sup>1</sup>	0.00	Korea	Trust
Kookmin Bank	KBL Incheon 1st L.L.C. and 58 others <sup>2</sup>	0.00	Korea	Asset-backed securitization and others
Kookmin Bank	KB Wise Star Private Real Estate Feeder Fund No.1 <sup>2</sup>	86.00	Korea	Investment trust
Kookmin Bank	KB Haeorum Private Securities Fund No.83 (Bond) <sup>2</sup>	99.90	Korea	Investment trust
Kookmin Bank	Kiwoom Frontier Private Securities Fund No.10 (Bond) <sup>2</sup>	99.68	Korea	Investment trust
Kookmin Bank	Woori SafePlus Private Securities Fund S-8 <sup>2</sup>	90.94	Korea	Investment trust
Kookmin Bank	NH-Amundi Global Private Securities Investment Trust No.1 (USD) (Bond) <sup>2</sup>	99.86	Korea	Investment trust
Kookmin Bank	Meritz Private Real Estate Fund No.9-2 <sup>2</sup>	99.98	Korea	Investment trust
Kookmin Bank	AIP US Red Private Real Estate Trust No.10 <sup>2</sup>	99.97	Korea	Investment trust
Kookmin Bank	KB KBSTAR 3-Year Futures Inverse Securities ETF (Debt-Derivative) <sup>2</sup>	76.61	Korea	Investment trust
Kookmin Bank	KB Core Blind Private Real Estate Fund No.1 <sup>2</sup>	90.09	Korea	Investment trust
KB Core Blind Private Real Estate Fund No.1	KB Wise Star Real Estate Fund No.3 <sup>2</sup>	46.65	Korea	Investment trust
Kookmin Bank	KB Global Private Real Estate Debt Fund No.3 (USD) <sup>2</sup>	99.50	Korea	Investment trust
Kookmin Bank	Samsung Credit Value Plus Professional Investment Type Private Securities Fund (Bond) <sup>2</sup>	99.98	Korea	Investment trust
Kookmin Bank	Samsung SRA Private Real Estate Investment Trust No.28D <sup>2</sup>	99.50	Korea	Investment trust
Kookmin Bank	KIM Basic Private Securities Fund No.102 (Bond) <sup>2</sup>	99.80	Korea	Investment trust
Kookmin Bank	KB Global Private Real Estate Debt Fund No.10 <sup>2</sup>	99.83	Korea	Investment trust

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Kookmin Bank	KB KBSTAR Active Korea Short Term Bond Market(AA-) ETF <sup>2</sup>	66.76	Korea	Investment trust
Kookmin Bank	KTB Global CREDebt No.52 <sup>2</sup>	99.44	Korea	Investment trust
Kookmin Bank	Hyundai Invest KKR Europe Real Estate No.1-3 <sup>2</sup>	98.98	Korea	Investment trust
Kookmin Bank	KBSTAR FKTB 5Y Duration Following ETF <sup>2</sup>	99.23	Korea	Investment trust
Kookmin Bank	NH-Amundi Private Securities Investment Trust S5(USD)(BOND) <sup>2</sup>	85.71	Korea	Investment trust
Kookmin Bank	Vestas Investors Private Real Estate Fund Investment Trust No.69-3 <sup>2</sup>	99.52	Korea	Investment trust
Kookmin Bank	Samsung KODEX 10Y F-LKTB INV ETF <sup>2</sup>	94.32	Korea	Investment trust
Kookmin Bank	KB Leaders Private Securities Fund No.23(Bond-Derivatives) <sup>2</sup>	99.90	Korea	Investment trust
Kookmin Bank	Shinhan Institutional Discretionary Private Security Investment Trust No.1 [Bond-Derivative] <sup>2</sup>	99.90	Korea	Investment trust
Kookmin Bank	KB KBSTAR FKTB 5Y Duration Following ETF <sup>2</sup>	99.28	Korea	Investment trust
Kookmin Bank	KB KBSTAR KTB 10Y Futures ETF <sup>2</sup>	70.22	Korea	Investment trust
Kookmin Bank	Hanwha ARIRANG 3 Year Korea Treasury Bond Futures ETF [Bond-Derivatives] <sup>2</sup>	84.72	Korea	Investment trust

<sup>1</sup> The Group controls the trust because it has power to determine the management performance of the trust and is exposed to variable returns that absorb losses through the guarantees of payment of principal, or payment of principal and fixed rate of return.

<sup>2</sup> The Group controls these investees because it is significantly exposed to variable returns from the investees' performance and has ability to affect those returns through its power.

The Group holds more than half of the ownership interests of Koreit BN Private Equity Fund and four other investment trusts but does not have the power over relevant activities in accordance with agreements with trust and other shareholders, therefore these entities are not consolidated.

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31.2 The condensed financial information of major subsidiaries as of March 31, 2022 and December 31, 2021 and for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)	March 31, 2022			2022	
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the period *
Kookmin Bank Cambodia Plc.	592,912	467,006	125,906	8,759	4,404
Kookmin Bank (China) Ltd.	4,257,873	3,736,192	521,681	43,853	(5,361)
KB Microfinance Myanmar Co., Ltd.	16,164	3,701	12,463	923	(770)
PRASAC Microfinance Institution Plc.	5,503,864	4,628,226	875,638	221,866	59,402
PT Bank KB Bukopin Tbk	6,485,776	5,848,222	637,554	97,887	(8,911)
KB BANK MYANMAR LTD	248,972	10,830	238,142	365	(834)
Personal pension trust and 10 others	4,305,894	4,211,530	94,364	29,659	(25,278)

(In millions of Korean won)	December 31, 2021			2021	
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the period *
Kookmin Bank Cambodia Plc.	559,442	440,502	118,940	6,150	2,475
Kookmin Bank (China) Ltd.	3,812,297	3,295,555	516,742	27,621	4,856
KB Microfinance Myanmar Co., Ltd.	16,549	3,507	13,042	1,989	(1,386)
PRASAC Microfinance Institution Plc.	5,128,845	4,329,971	798,874	208,910	46,489
PT Bank KB Bukopin Tbk	6,958,949	6,320,222	638,727	124,410	(36,508)
KB BANK MYANMAR LTD	242,396	8,409	233,987	22	(841)
Personal pension trust and 10 others	4,381,035	4,261,394	119,641	35,997	216

\* Includes profit (loss) attributable to non-controlling interests.

**31.3 The Characteristics of Risks Associated with Consolidated Structured Entities**

The terms of contractual arrangements to provide financial support to consolidated structured entities are as follows:

**31.3.1 The Bank has provided capital commitments to consolidated investment funds.**

(In millions of Korean won)	March 31, 2022	
	Capital commitments	Unused amount
KB Wise Star Private Real Estate Feeder Fund No.1	172,000	817
Meritz Private Real Estate Fund No.9-2	60,528	4,218
KB Core Blind Private Real Estate Fund No.1	100,000	175
KTG Global CREDebt No.52	60,540	15,194
Hyundai Invest KKR Europe Real Estate No.1-3	54,045	20,272
Vestas Investors Private Real Estate Fund Investment Trust No.69-3	77,491	52,440

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31.3.2 The Bank has provided purchase commitment and credit line to consolidated structured entities. The purchase commitment guarantees that the Bank will purchase and pay any remaining commercial paper securities issued by consolidated structured entities. The credit line agreement requires the Bank to provide loans under certain conditions if there is a reason for suspension of issuance of commercial paper securities or if consolidated structured entities become insolvency due to other reasons.

*(In millions of Korean won)*

**March 31, 2022**

LOG the 3rd L.L.C.	24,300
KBL Incheon 1st L.L.C.	101,000
KB DTower 1st L.L.C.	50,979
KB INO 2nd L.L.C.	30,175
KB Socio the 1st L.L.C.	30,288
KB Industry the 1st L.L.C.	10,200
KBST the 1st L.L.C.	30,194
KBH the 4th L.L.C.	18,200
Great Forest the 1st L.L.C.	14,700
KBC the 3rd L.L.C.	35,112
KBH the 6th L.L.C.	50,093
Beomuh Landmark the 2nd L.L.C.	56,600
KB Industry 2nd L.L.C.	10,200
KB Handok the 1st L.L.C.	30,129
KB Heracles the 1st L.L.C.	25,195
SLT Gamsam Co., Ltd.	13,200
K Plus the 1st L.L.C.	200,261
KB Hwaseong the 1st L.L.C.	10,600
KB Livv H 1st L.L.C.	30,084
KB Beomcheon Land 1st L.L.C.	13,000
Livv H 1st L.L.C.	50,137
KB Eagles 1st Co., Ltd.	30,078
KB Manchon Harrington Co., Ltd.	15,107
KB Livv I 1st Co., Ltd.	50,168
KB Cheongla Hill Co., Ltd.	60,407
KB Dong-in Central L.L.C.	20,081
KB Eagles 2nd Co., Ltd.	50,155
KBH Steal Co., Ltd.	150,195
KB Penta Co., Ltd.	24,898
KB Great Bear 1st L.L.C.	90,232
Ryan Mobility 1st L.L.C.	50,091
KB Chemical 1st Co., Ltd.	50,139
KB Eugene 1st Co., Ltd.	10,083
KB Harim 1st L.L.C.	30,112
KB Eagles 3rd Co., Ltd.	50,149
KB Winchest 1st Co., Ltd.	47,500
KB Dong-in Central 1st L.L.C.	14,600
LEP 2nd Co., Ltd.	70,000
KB River County L.L.C.	51,500
KB Buamsamjung 1st Co., Ltd.	50,352
KB Suchang 1st Co., Ltd.	41,800
KB LCC 2nd L.L.C.	45,600
Liiv H 2nd Co., Ltd.	30,045



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KB Sungnae 1st L.L.C.	89,400
JT Capital 7th Asset Securitization Specialty Company	21,200
KB Landscape 1st L.L.C.	78,900
KB Pride 1st L.L.C.	35,950
KB Pride 2nd L.L.C.	39,942
KB Moonheung 1st Co., Ltd.	160
KB Gamil 1st Co., Ltd.	57,500
KB One West 1st Co., Ltd.	59,391
KB Cloud L.L.C.	100,769
K Gowoon Sekyo 1st Co., Ltd.	3,683
K Gowoon Sekyo 2nd Co., Ltd.	2,972

31.3.3 The Group has provided the guarantees of payment of principal, or principal and fixed rate of return in case the operating results of the trusts are less than the guaranteed principal, or principal and fixed rate of return.

#### 31.4 Changes in Subsidiaries

NICE WONHO 1st Co., Ltd. and 6 other subsidiaries were newly included in the scope of consolidation, and KB Happy 1st L.L.C. and 1 other subsidiary were excluded from the scope of consolidation for the three-month period ended March 31, 2022.

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**32. Related Party Transactions**

According to Korean IFRS No.1024, the Group includes the Parent, the Parent's subsidiaries, associates, associates of the Parent's subsidiaries, associates of the Parent, key management personnel (including family members), and post-employment benefit plans of the Group and its related party companies in the scope of related parties. The Group discloses balances (receivables and payables) and other amounts arising from transactions with related parties in the notes to the consolidated financial statements. Refer to Note 12 for details of investments in associates.

Key management personnel include the executives of the Parent Company and the executives (managing director and above) of the Bank, and companies where the executives and/or their close family members have control or joint control.

32.1 Details of significant profit or loss arising from transactions with related parties for the three-month periods ended March 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

		<b>2022</b>	<b>2021</b>
<b>Parent</b>			
KB Financial Group Inc.	Fee and commission income	2,229	2,734
	Other non-operating income	436	384
	Interest expense	758	207
	General and administrative expenses	278	228
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Interest income	918	571
	Fee and commission income	8,143	5,304
	Gains on financial instruments at fair value through profit or loss	48,382	33,216
	Other non-operating income	1,109	1,060
	Interest expense	839	464
	Fee and commission expense	218	2,515
	Losses on financial instruments at fair value through profit or loss	27,353	21,949
	Other operating expenses	-	14
	Provision for credit losses	284	13
	General and administrative expenses	825	35
KB Asset Management Co., Ltd.	Fee and commission income	523	437
	Gains on financial instruments at fair value through profit or loss	396	2
	Interest expense	23	7
	Fee and commission expense	360	398
	Losses on financial instruments at fair value through profit or loss	9	44
	General and administrative expenses	125	125
KB Real Estate Trust Co., Ltd.	Fee and commission income	66	57
	Other non-operating income	6	9
	Interest expense	90	28
	Fee and commission expense	308	230

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KB Investment Co., Ltd.	Fee and commission income	31	12
	Interest expense	273	125
KB Credit Information Co., Ltd.	Fee and commission income	18	17
	Other non-operating income	37	37
	Interest expense	19	19
	Fee and commission expense	3,995	5,296
KB Data System Co., Ltd.	Fee and commission income	63	113
	Other non-operating income	26	46
	Interest expense	(59)	28
	Other operating expenses	97	-
	General and administrative expenses	13,569	11,275
KB Life Insurance Co., Ltd.	Fee and commission income	3,903	3,708
	Gains on financial instruments at fair value through profit or loss	4,216	2,847
	Other non-operating income	14	7
	Interest expense	3	2
	Fee and commission expense	286	-
	Losses on financial instruments at fair value through profit or loss	-	21
	Other operating expenses	-	1
	General and administrative expenses	222	222
KB Kookmin Card Co., Ltd.	Interest income	1,445	1,170
	Fee and commission income	31,255	35,583
	Gains on financial instruments at fair value through profit or loss	32	77
	Other non-operating income	426	381
	Interest expense	220	190
	Fee and commission expense	243	412
	Losses on financial instruments at fair value through profit or loss	40	114
	Provision for credit losses	39	1
	General and administrative expenses	309	170
KB Savings Bank Co., Ltd.	Fee and commission income	82	261
	Other non-operating income	6	45
	Interest expense	2	3
	Other operating expenses	-	4
	General and administrative expenses	1	-
KB Capital Co., Ltd.	Interest income	440	337
	Fee and commission income	756	631
	Reversal of credit losses	-	338
	Other non-operating income	42	37
	Interest expense	23	17
	Fee and commission expense	45	2
	Other operating expenses	-	20
	Provision for credit losses	28	-
	General and administrative expenses	-	7

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KB Insurance Co., Ltd.	Interest income	116	9
	Fee and commission income	6,600	6,005
	Gains on financial instruments at fair value through profit or loss	31,431	21,792
	Other non-operating income	445	476
	Interest expense	517	1,068
	Fee and commission expense	955	425
	Losses on financial instruments at fair value through profit or loss	762	1,906
	Other operating expenses	1	1
	General and administrative expenses	3,569	3,414
Prudential Life Insurance Company of Korea Ltd.	Interest income	16	-
	Fee and commission income	37	15
	Gains on financial instruments at fair value through profit or loss	4,118	-
	Interest expense	965	874
	Fee and commission expense	2,402	726
	General and administrative expenses	236	-
KB Hanbando BTL Private Special Asset Fund No.1	Fee and commission income	28	31
KB AMP Infra Private Special Asset Fund No.1(FoFs)	Fee and commission income	2	2
KB Muni bond Private Securities Fund No.1 (USD)	Fee and commission income	3	3
KB Global Private Real Estate Debt Fund No.1	Fee and commission income	3	2
KB NA COMPASS Energy Private Special Asset Fund	Fee and commission income	2	2
KB Star Office Private Real Estate Master Fund No.3	Interest expense	-	1
KB Star Office Private Real Estate Feeder Fund No.4	Interest income	187	187
	Fee and commission income	9	9
	Interest expense	2	1
KB Global Core Bond Securities Feeder Fund(Bond)	Fee and commission income	5	13
	Gains on financial instruments at fair value through profit or loss	298	117
	Losses on financial instruments at fair value through profit or loss	72	-
KB Onkookmin Life Income 20 Feeder Fund (FoFs) C-F	Gains on financial instruments at fair value through profit or loss	-	124
	Losses on financial instruments at fair value through profit or loss	-	8
KB Onkookmin Life Income 40 Feeder Fund (FoFs) C-F	Gains on financial instruments at fair value through profit or loss	-	113
	Losses on financial instruments at fair value through profit or loss	-	6
KB New Renewable Energy Private Special Asset Fund No.1	Fee and commission income	2	2

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KB North America Private Real Estate Debt Fund No.1	Fee and commission income	1	1
	Gains on financial instruments at fair value through profit or loss	585	1,140
KB North America Private Real Estate Debt Fund No.3	Fee and commission income	2	2
	Gains on financial instruments at fair value through profit or loss	2,656	3,705
	Losses on financial instruments at fair value through profit or loss	725	-
KB Europe Renewable Private Special Asset Fund No.2 (SOC-FoFs)	Fee and commission income	1	1
KB Global Infrastructure Synergy Private Special Asset Fund	Fee and commission income	2	-
KB BMO Senior Loan Private Special Asset Fund No.1(FOF)	Fee and commission income	2	2
	Gains on financial instruments at fair value through profit or loss	2,078	2,944
	Losses on financial instruments at fair value through profit or loss	-	710
KB BMO Senior Loan Private Special Asset Fund No.2(USD)	Fee and commission income	2	2
KB BMO Senior Loan Private Special Asset Fund No.3(FOF)	Fee and commission income	1	-
KB New Renewable Green New Deal Private Special Asset No.2	Fee and commission income	1	-
KB Sinansan Line Private Special Asset Fund(SOC)	Fee and commission income	5	2
KB Korea Short Term Premium Private Securities No.19(USD)(Bond) *	Fee and commission income	-	1
KB Korea Short Term Premium Private Securities No.21(USD)(Bond) *	Fee and commission income	1	1
KB Korea Short Term Premium Private Securities No.22(USD)(Bond)	Fee and commission income	1	-
	Losses on financial instruments at fair value through profit or loss	473	-
KB Korea Short Term Premium Private Securities No.23(USD)(Bond)	Fee and commission income	3	-
	Losses on financial instruments at fair value through profit or loss	1,328	-
KB Korea Short Term Premium Private Securities No.25(USD)(Bond)	Fee and commission income	2	-
KB Korea Short Term Premium Private Securities No.26(USD)(Bond)	Fee and commission income	1	-
	Losses on financial instruments at fair value through profit or loss	10	-
KB Korea Short Term Premium Private Securities Fund No.27(USD)(Bond)	Fee and commission income	1	-
KB Korea Short Term Premium Private Securities Fund No.28(USD)(Bond)	Fee and commission income	2	-
KB Global Private Real Estate Debt Fund No.15	Fee and commission income	2	-
KB Global Private Real Estate Debt Fund No.17	Fee and commission income	1	-
KB Multi Alpha Plus Private Fund No.1	Fee and commission income	2	-
KB MCF Senior Loan Private Special Asset Fund No.3(FoFs)	Fee and commission income	12	-

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KB Korea Infrastructure Credit Guarantee Private Special Asset No.1	Fee and commission income	4	-
KB Wise Star Private Real Estate No.19	Fee and commission income	1	-
Hanwha Europe Credit Private Fund No.16 (FOF)	Gains on financial instruments at fair value through profit or loss	103	-
	Losses on financial instruments at fair value through profit or loss	40	-
KB AMP Infra Private Special Asset Fund No.13(FoFs)	Fee and commission income	1	-
KB Logistics Blind Private Real Estate Fund No.1	Fee and commission income	2	-
KB Aircraft Private Special Asset Fund No.1	Fee and commission income	3	-
	Gains on financial instruments at fair value through profit or loss	716	-
KB Star ESG Prime Mid-Short Bond Securities Feeder Fund(Bond)	Fee and commission income	4	-
KB GK Project Private Special Asset Fund No.3	Fee and commission income	11	-
KB AMP Infra Note Private Special Asset Fund No.14	Fee and commission income	1	-
KB Senior Loan Private Fund No.1 *	Fee and commission income	-	1
KB Korea Short Term Premium Private Securities No.15(USD)(Bond) *	Fee and commission income	-	1
	Losses on financial instruments at fair value through profit or loss	-	898
KB Korea Short Term Premium Private Securities No.17(USD)(Bond) *	Fee and commission income	-	3
	Losses on financial instruments at fair value through profit or loss	-	3,155
<b>Associates</b>			
Korea Credit Bureau Co., Ltd.	Fee and commission income	13	1
	Interest expense	-	3
	Fee and commission expense	338	457
	Other operating expenses	-	1
Incheon Bridge Co., Ltd.	Interest income	849	1,099
	Fee and commission income	5	4
	Reversal of credit losses	1	14
	Interest expense	43	38
	Fee and commission expense	1	1
	Losses on financial instruments at fair value through profit or loss	1,390	841
Dae-A Leisure Co., Ltd.	Interest expense	-	1
Skydigital Inc.	Fee and commission income	1	1
KB High-Tech Company Investment Fund	Interest expense	2	3
Aju Good Technology Venture Fund	Interest expense	14	4
KB-KDBC Pre-IPO New Technology Business Investment Fund	Interest expense	1	-
KB Digital Innovation & Growth New Technology Business Investment Fund	Interest expense	1	1
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Interest expense	1	3
KB Global Platform Fund	Interest expense	21	9

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WJ Private Equity Fund No.1	Fee and commission income	2	2
<b>Associate of Parent</b>			
KB Star Office Private Real Estate Investment Trust No.1	Interest expense	1	3
<b>Associates of Parent's subsidiaries</b>			
SY Auto Capital Co., Ltd.	Fee and commission income	1	1
Food Factory Co., Ltd.	Interest income	21	16
	Reversal of credit losses	-	7
	Interest expense	2	1
Banksalad Co., Ltd.	Fee and commission income	9	9
Spark Biopharma Inc.	Interest expense	20	-
UPRISE, Inc.	Interest income	-	2
	Interest expense	1	-
COSES GT Co., Ltd.	Interest income	5	4
KB No.17 Special Purpose Acquisition Company *	Interest expense	-	4
KB No.18 Special Purpose Acquisition Company	Interest expense	4	7
KB No.19 Special Purpose Acquisition Company	Interest expense	2	2
KB No.20 Special Purpose Acquisition Company	Interest expense	6	3
SwatchOn Inc.	Fee and commission income	2	2
	Interest expense	1	8
Gomi corporation Inc.	Interest income	13	-
	Interest expense	1	-
Contents First Inc.	Interest expense	(8)	(1)
GENINUS Inc.	Interest expense	7	10
Pin Therapeutics Inc.	Interest expense	6	-
Desilo Inc.	Interest income	2	-
IGGYMOB Co., Ltd.	Interest expense	1	-
<b>Others</b>			
Retirement pension	Fee and commission income	336	343
	Interest expense	5	1

\* Excluded from the Group's related party as of March 31, 2022.

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32.2 Details of significant outstanding balances of receivables and payables arising from transactions with related parties as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

		<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Parent</b>			
KB Financial Group Inc.	Other assets	2,301	71
	Deposits	2,161,021	518,076
	Other liabilities	702,021	462,800
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Cash and due from financial institutions	5,815	4,691
	Derivative assets	66,381	43,797
	Loans measured at amortized cost (gross amount)	223,603	124,527
	Allowances for credit losses	485	201
	Other assets	9,516	5,564
	Derivative liabilities	36,742	33,338
	Deposits	872,050	535,130
	Provisions	90	90
	Other liabilities <sup>2</sup>	40,330	29,920
KB Asset Management Co., Ltd.	Derivative assets	69	-
	Other assets	516	422
	Deposits	7,653	13,206
	Other liabilities <sup>3</sup>	1,241	1,304
KB Real Estate Trust Co., Ltd.	Other assets	60	3
	Deposits	72,377	103,329
	Other liabilities <sup>4</sup>	3,438	3,438
KB Investment Co., Ltd.	Other assets	39	-
	Deposits	77,962	100,338
	Other liabilities	237	42
KB Credit Information Co., Ltd.	Other assets	17	-
	Deposits	4,172	4,536
	Other liabilities	5,548	5,656
KB Data System Co., Ltd.	Other assets	783	215
	Deposits	13,792	17,999
	Other liabilities	7,417	6,150
KB Life Insurance Co., Ltd.	Derivative assets	6,303	5,387
	Other assets	2,971	1,519
	Derivative liabilities	-	168
	Deposits	2,180	2,608
	Other liabilities <sup>5</sup>	21,791	21,700
KB Kookmin Card Co., Ltd.	Derivative assets	15	55
	Loans measured at amortized cost (gross amount)	102,918	71,130
	Allowances for credit losses	125	86
	Other assets	19,831	22,043
	Deposits	134,352	81,641
	Borrowings	3,588	3,492
	Provisions	724	724
	Other liabilities	40,399	47,443



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KB Savings Bank Co., Ltd.	Other liabilities	606	323
KB Capital Co., Ltd.	Loans measured at amortized cost (gross amount)	72,648	71,130
	Allowances for credit losses	161	156
	Other assets	924	365
	Deposits	354,118	219,312
	Provisions	72	45
	Other liabilities	3,026	3,006
KB Insurance Co., Ltd.	Derivative assets	63,005	37,098
	Loans measured at amortized cost (gross amount)	17,947	17,958
	Allowances for credit losses	3	3
	Other assets	18,194	15,707
	Derivative liabilities	2,715	3,670
	Deposits	6,038	7,854
	Borrowings <sup>7</sup>	23,000	23,000
	Debentures	29,998	29,998
	Provisions	18	18
	Other liabilities <sup>6</sup>	18,524	17,757
Prudential Life Insurance Company of Korea Ltd.	Derivative assets	10,552	6,968
	Other assets	3,832	3,815
	Derivative liabilities	195	652
	Deposits	8,763	7,634
	Debentures	30,000	30,000
	Other liabilities	39,490	38,100
KB Hanbando BTL Private Special Asset Fund No.1	Other assets	28	29
KB AMP Infra Private Special Asset Fund No.1(FoFs)	Other assets	1	1
KB Muni bond Private Securities Fund No.1 (USD)	Other assets	2	2
KB Global Private Real Estate Debt Fund No.1	Other assets	3	3
KB NA COMPASS Energy Private Special Asset Fund	Other assets	1	1
KB Star Office Private Real Estate Master Fund No.3	Deposits	-	171
	Other liabilities	-	9
KB Star Office Private Real Estate Feeder Fund No.4	Loans measured at amortized cost (gross amount)	20,000	20,000
	Allowances for credit losses	3	3
	Other assets	24	11
	Deposits	532	532
	Other liabilities	3	1
KB Global Core Bond Securities Feeder Fund(Bond)	Derivative assets	-	7
	Other assets	2	4
	Derivative liabilities	72	6
KB New Renewable Energy Private Special Asset Fund No.1	Other assets	2	2
KB North America Private Real Estate Debt Fund No.1	Derivative assets	1,963	1,378
	Other assets	1	1

**Kookmin Bank and Subsidiaries**  
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KB North America Private Real Estate Debt Fund No.3	Derivative assets	1,906	1,221
	Other assets	2	2
KB Europe Renewable Private Special Asset Fund No.2 (SOC-FoFs)	Other assets	1	1
KB Global Infrastructure Synergy Private Special Asset Fund	Other assets	2	1
KB BMO Senior Loan Private Special Asset Fund No.1(FOF)	Derivative assets	461	3,275
	Other assets	2	2
KB BMO Senior Loan Private Special Asset Fund No.2(USD)	Other assets	2	2
KB BMO Senior Loan Private Special Asset Fund No.3(FOF)	Other assets	1	-
KB New Renewable Green New Deal Private Special Asset No.2	Other assets	1	1
KB Sinansan Line Private Special Asset Fund(SOC)	Other assets	5	4
KB Korea Short Term Premium Private Securities No.19(USD)(Bond) <sup>1</sup>	Other assets	-	2
KB Korea Short Term Premium Private Securities No.21(USD)(Bond) <sup>1</sup>	Other assets	-	2
KB Korea Short Term Premium Private Securities No.22(USD)(Bond)	Other assets	2	1
	Derivative liabilities	1,779	1,306
KB Korea Short Term Premium Private Securities No.23(USD)(Bond)	Derivative assets	-	96
	Other assets	5	2
	Derivative liabilities	1,232	-
KB Korea Short Term Premium Private Securities No.25(USD)(Bond)	Other assets	2	-
KB Korea Short Term Premium Private Securities No.26(USD)(Bond)	Other assets	1	-
	Derivative liabilities	10	-
KB Korea Short Term Premium Private Securities Fund No.27(USD)(Bond)	Other assets	1	-
KB Korea Short Term Premium Private Securities Fund No.28(USD)(Bond)	Other assets	2	-
KB Global Private Real Estate Debt Fund No.15	Other assets	1	2
KB Global Private Real Estate Debt Fund No.17	Other assets	1	-
KB Multi Alpha Plus Private Fund No.1	Other assets	2	2
KB MCF Senior Loan Private Special Asset Fund No.3(FoFs)	Other assets	12	7
KB Korea Infrastructure Credit Guarantee Private Special Asset No.1	Other assets	3	2
KB Wise Star Private Real Estate No.19	Other assets	2	-
Hanwha Europe Credit Private Fund No.16 (FOF)	Derivative assets	32	9
	Derivative liabilities	129	119
KB AMP Infra Private Special Asset Fund No.13(FoFs)	Other assets	1	1
KB Logistics Blind Private Real Estate Fund No.1	Other assets	4	2
KB Aircraft Private Special Asset Fund No.1	Other assets	2	2
	Derivative liabilities	3,047	3,835

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KB Star ESG Prime Mid-Short Bond Securities Feeder Fund(Bond)	Other assets	1	1
KB GK Project Private Special Asset Fund No.3	Other assets	5	-
<b>Associates</b>			
Korea Credit Bureau Co., Ltd.	Deposits	4,059	10,200
Incheon Bridge Co., Ltd.	Financial assets at fair value through profit or loss	35,992	37,382
	Loans measured at amortized cost (gross amount)	109,375	114,100
	Allowances for credit losses	24	25
	Other assets	387	423
	Deposits	46,901	35,487
	Provisions	18	18
	Other liabilities	130	99
Jungdo Co., Ltd.	Deposits	4	4
Dae-A Leisure Co., Ltd.	Deposits	44	17
Computerlife Co., Ltd.	Deposits	1	-
Skydigital Inc.	Deposits	36	85
Jo Yang Industrial Co., Ltd.	Deposits	1	1
KB High-Tech Company Investment Fund	Deposits	3,453	1,504
	Other liabilities	1	-
Aju Good Technology Venture Fund	Deposits	6,500	6,286
	Other liabilities	23	10
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	515	904
KB Digital Innovation & Growth New Technology Business Investment Fund	Deposits	2,027	2,088
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Deposits	1,300	1,524
KB Global Platform Fund	Deposits	22,722	26,823
	Other liabilities	5	5
WJ Private Equity Fund No.1	Other assets	2	2
	Deposits	516	260
<b>Associate of Parent</b>			
KB Star Office Private Real Estate Investment Trust No.1	Deposits	2,149	2,578
<b>Associates of Parent's subsidiaries</b>			
SY Auto Capital Co., Ltd.	Deposits	6	17
RAND Bio Science Co., Ltd.	Deposits	111	443
Food Factory Co., Ltd.	Loans measured at amortized cost (gross amount)	3,523	3,545
	Allowances for credit losses	5	4
	Other assets	1	2
	Deposits	604	839
	Other liabilities	2	6
Acts Co., Ltd.	Deposits	1	154
Paycoms Co., Ltd.	Deposits	2	1
Big Dipper Co., Ltd.	Deposits	19	-
Spark Biopharma Inc.	Deposits	15,679	6,015
	Other liabilities	16	3

**Kookmin Bank and Subsidiaries**  
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Wyatt Corp.	Deposits	1	1
UPRISE, Inc.	Deposits	3,999	4,001
	Other liabilities	1	-
CellinCells Co., Ltd.	Deposits	49	38
COSES GT Co., Ltd.	Loans measured at amortized cost (gross amount)	500	500
	Allowances for credit losses	2	2
	Other assets	1	1
	Deposits	1,500	1,939
	Other liabilities	1	-
KB No.17 Special Purpose Acquisition Company <sup>1</sup>	Deposits	-	1,687
	Other liabilities	-	12
KB No.18 Special Purpose Acquisition Company	Deposits	2,052	2,077
	Other liabilities	16	12
KB No.19 Special Purpose Acquisition Company	Deposits	992	1,013
	Other liabilities	7	5
KB No.20 Special Purpose Acquisition Company	Deposits	1,667	1,681
	Other liabilities	9	3
SwatchOn Inc.	Deposits	10,880	686
	Other liabilities	2	-
Gomi corporation Inc.	Loans measured at amortized cost (gross amount)	2,200	2,200
	Allowances for credit losses	12	12
	Other assets	4	4
	Deposits	5,144	3,188
	Other liabilities	2	1
S&E Bio Co., Ltd.	Deposits	92	263
4N Inc.	Deposits	35	39
Contents First Inc.	Deposits	1,300	12,650
	Other liabilities	10	57
December & Company Inc.	Deposits	1	1
GENINUS Inc.	Deposits	24,752	34,415
	Other liabilities	9	2
Mantisco Co., Ltd.	Deposits	137	386
Pin Therapeutics Inc.	Deposits	18,043	-
	Other liabilities	5	-
G1 Playground Co., Ltd.	Deposits	14	354
SuperNGine Co., Ltd.	Deposits	623	944
Desilo Inc.	Loans measured at amortized cost (gross amount)	301	301
	Allowances for credit losses	2	2
	Deposits	20	168
Turing Co., Ltd.	Deposits	1,253	1,054
IGGYMOB Co., Ltd.	Deposits	1,540	2,938
	Other liabilities	1	-
KB Pre IPO Secondary Venture Fund No.1 <sup>1</sup>	Deposits	-	103
<b>Key management personnel</b>	Loans measured at amortized cost (gross amount)	5,364	3,252
	Allowances for credit losses	2	2
	Other assets	5	3

**Kookmin Bank and Subsidiaries**  
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	Deposits	15,501	11,757
	Provisions	1	1
	Other liabilities	252	255
<b>Others</b>			
Retirement pension	Other assets	506	369
	Other liabilities	5,955	5,014

<sup>1</sup> Excluded from the Group's related party as of March 31, 2022.

<sup>2</sup> Non-controlling interests classified as liabilities include ₩ 3,074 million and ₩ 3,089 million as of March 31, 2022 and December 31, 2021, respectively.

<sup>3</sup> Non-controlling interests classified as liabilities include ₩ 1,033 million and ₩ 986 million as of March 31, 2022 and December 31, 2021, respectively.

<sup>4</sup> Non-controlling interests classified as liabilities include ₩ 3,071 million and ₩ 3,085 million as of March 31, 2022 and December 31, 2021, respectively.

<sup>5</sup> Non-controlling interests classified as liabilities include ₩ 20,520 million and ₩ 20,355 million as of March 31, 2022 and December 31, 2021, respectively.

<sup>6</sup> Non-controlling interests classified as liabilities include ₩ 5,164 million and ₩ 4,931 million as of March 31, 2022 and December 31, 2021, respectively.

<sup>7</sup> This is the carrying amount of liabilities held through a subsidiary, a company specialized in asset-backed securitization, and the related underlying assets after deducting allowance for credit losses is ₩ 22,920 million as of March 31, 2022 and December 31, 2021. The carrying amount of the asset and liability is determined as a reasonable approximation of its fair value.

32.3 Details of right-of-use assets and lease liabilities with related parties as of March 31, 2022 and December 31, 2021, are as follows:

*(In millions of Korean won)*

		<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Right-of-use assets	25,461	26,565
	Lease liabilities	30,621	31,814
KB Kookmin Card Co., Ltd.	Right-of-use assets	177	200
	Lease liabilities	47	53
KB Insurance Co., Ltd.	Right-of-use assets	3,221	3,797
	Lease liabilities	3,397	3,963
Prudential Life Insurance Company of Korea Ltd.	Right-of-use assets	8,626	9,168
	Lease liabilities	8,551	9,042

**Kookmin Bank and Subsidiaries**  
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32.4 Notional amount of derivative assets and liabilities arising from transactions with related parties as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

		<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Notional amount of derivative financial instruments	2,571,009	2,360,006
KB Asset Management Co., Ltd.	Notional amount of derivative financial instruments	6,671	-
KB Life Insurance Co., Ltd.	Notional amount of derivative financial instruments	136,809	163,227
KB Kookmin Card Co., Ltd.	Notional amount of derivative financial instruments	30,000	30,000
KB Insurance Co., Ltd.	Notional amount of derivative financial instruments	1,663,768	1,356,044
Prudential Life Insurance Company of Korea Ltd.	Notional amount of derivative financial instruments	423,204	407,653
KB Global Core Bond Securities Feeder Fund(Bond)	Notional amount of derivative financial instruments	3,511	25,796
KB North America Private Real Estate Debt Fund No.1	Notional amount of derivative financial instruments	30,270	29,638
KB North America Private Real Estate Debt Fund No.3	Notional amount of derivative financial instruments	99,891	293,411
KB BMO Senior Loan Private Special Asset Fund No.1(FOF)	Notional amount of derivative financial instruments	6,237	60,822
KB Korea Short Term Premium Private Securities No.22(USD)(Bond)	Notional amount of derivative financial instruments	24,452	23,941
KB Korea Short Term Premium Private Securities No.23(USD)(Bond)	Notional amount of derivative financial instruments	84,756	82,985
KB Korea Short Term Premium Private Securities No.26(USD)(Bond)	Notional amount of derivative financial instruments	36,929	-
Hanwha Europe Credit Private Fund No.16 (FOF)	Notional amount of derivative financial instruments	20,826	15,254
KB Aircraft Private Special Asset Fund No.1	Notional amount of derivative financial instruments	133,957	136,328

**Kookmin Bank and Subsidiaries**  
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32.5 Details of significant lending transactions with related parties for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022 <sup>1</sup>				
	Beginning	Loan	Collection	Others	Ending
<b>Parent's subsidiaries</b>					
KB Securities Co., Ltd.	124,527	343,050	246,600	2,626	223,603
KB Insurance Co., Ltd.	17,958	-	-	(11)	17,947
KB Kookmin Card Co., Ltd.	71,130	49,434	19,164	1,518	102,918
KB Capital Co., Ltd.	71,130	-	-	1,518	72,648
KB Star Office Private Real Estate Feeder Fund No.4	20,000	-	-	-	20,000
<b>Associates</b>					
Incheon Bridge Co., Ltd.	151,482	-	4,725	(1,390)	145,367
<b>Associates of Parent's subsidiaries</b>					
Food Factory Co., Ltd.	3,545	-	22	-	3,523
COSES GT Co., Ltd.	500	-	-	-	500
Gomi corporation Inc.	2,200	-	-	-	2,200
Desilo Inc.	301	-	-	-	301
<b>Key management personnel <sup>2</sup></b>	3,252	522	862	2,452	5,364

(In millions of Korean won)

	2021 <sup>1</sup>				
	Beginning	Loan	Collection	Others	Ending
<b>Parent's subsidiaries</b>					
KB Securities Co., Ltd.	97,803	304,062	272,844	3,582	132,603
KB Kookmin Card Co., Ltd.	39,930	7,683	7,683	1,669	41,599
KB Capital Co., Ltd.	54,400	1,124	-	2,285	57,809
KB Star Office Private Real Estate Feeder Fund No.4	20,000	-	-	-	20,000
<b>Associates</b>					
Incheon Bridge Co., Ltd.	171,756	-	4,725	(841)	166,190
<b>Associates of Parent's subsidiaries</b>					
Food Factory Co., Ltd.	3,193	388	5	-	3,576
UPRISE, Inc.	500	-	-	-	500
COSES GT Co., Ltd.	500	-	-	-	500
<b>Key management personnel <sup>2</sup></b>	4,599	-	840	(845)	2,914

<sup>1</sup> Transactions between related parties, such as settlements arising from operating activities and daylight overdraft to be repaid on the day of handling, are excluded.

<sup>2</sup> Includes loan transactions that occurred before they became related parties.

**Kookmin Bank and Subsidiaries**  
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32.6 Details of significant borrowing transactions with related parties for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

			2022			
			Beginning	Borrowing	Repayment	Ending
<b>Parent</b>						
KB Financial Group Inc.	Deposits		518,076	-	-	2,161,021
<b>Parent's subsidiaries</b>						
KB Securities Co., Ltd.	Deposits		535,130	38,123	-	872,050
KB Asset Management Co., Ltd.	Deposits		13,206	-	-	7,653
KB Real Estate Trust Co., Ltd.	Deposits		103,329	-	-	72,377
KB Investment Co., Ltd.	Deposits		100,338	43,000	50,000	77,962
KB Credit Information Co., Ltd.	Deposits		4,536	1,056	1,015	4,172
KB Data System Co., Ltd.	Deposits		17,999	3,500	5,082	13,792
KB Life Insurance Co., Ltd.	Deposits		2,608	-	-	2,180
KB Kookmin Card Co., Ltd.	Deposits		81,641	-	4,741	134,352
	Borrowings		3,492	-	-	3,588
KB Capital Co., Ltd.	Deposits		219,312	-	-	354,118
KB Insurance Co., Ltd.	Deposits		7,854	253	249	6,038
	Borrowings		23,000	-	-	23,000
	Debentures		29,998	-	-	29,998
Prudential Life Insurance Company of Korea Ltd.	Deposits		7,634	-	-	8,763
	Debentures		30,000	-	-	30,000
KB Star Office Private Real Estate Master Fund No.3	Deposits		171	-	171	-
KB Star Office Private Real Estate Feeder Fund No.4	Deposits		532	-	-	532
<b>Associates</b>						
Korea Credit Bureau Co., Ltd.	Deposits		10,200	-	-	4,059
Incheon Bridge Co., Ltd.	Deposits		35,487	-	-	46,901
Jungdo Co., Ltd.	Deposits		4	-	-	4
Dae-A Leisure Co., Ltd.	Deposits		17	-	-	44
Computerlife Co., Ltd.	Deposits		-	-	-	1
Skydigital Inc.	Deposits		85	-	-	36
Jo Yang Industrial Co., Ltd.	Deposits		1	-	-	1
KB High-Tech Company Investment Fund	Deposits		1,504	-	-	3,453
Aju Good Technology Venture Fund	Deposits		6,286	-	-	6,500
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits		904	-	-	515
KB Digital Innovation & Growth New Technology Business Investment Fund	Deposits		2,088	-	-	2,027
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Deposits		1,524	-	-	1,300
KB Global Platform Fund	Deposits		26,823	-	-	22,722
WJ Private Equity Fund No.1	Deposits		260	-	-	516



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**Associate of Parent**

KB Star Office Private Real Estate Investment Trust No.1	Deposits	2,578	-	-	(429)	2,149
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**Associates of Parent's subsidiaries**

SY Auto Capital Co., Ltd.	Deposits	17	-	-	(11)	6
RAND Bio Science Co., Ltd.	Deposits	443	-	-	(332)	111
Food Factory Co., Ltd.	Deposits	839	511	507	(239)	604
Acts Co., Ltd.	Deposits	154	-	-	(153)	1
Paycoms Co., Ltd.	Deposits	1	-	-	1	2
Big Dipper Co., Ltd.	Deposits	-	-	-	19	19
Spark Biopharma Inc.	Deposits	6,015	11,500	1,000	(836)	15,679
Wyatt Corp.	Deposits	1	-	-	-	1
UPRISE, Inc.	Deposits	4,001	-	-	(2)	3,999
CellinCells Co., Ltd.	Deposits	38	-	-	11	49
COSES GT Co., Ltd.	Deposits	1,939	-	-	(439)	1,500
KB No.17 Special Purpose Acquisition Company <sup>2</sup>	Deposits	1,687	-	1,546	(141)	-
KB No.18 Special Purpose Acquisition Company	Deposits	2,077	-	-	(25)	2,052
KB No.19 Special Purpose Acquisition Company	Deposits	1,013	-	30	9	992
KB No.20 Special Purpose Acquisition Company	Deposits	1,681	-	-	(14)	1,667
SwatchOn Inc.	Deposits	686	-	-	10,194	10,880
Gomi corporation Inc.	Deposits	3,188	-	-	1,956	5,144
S&E Bio Co., Ltd.	Deposits	263	50	-	(221)	92
4N Inc.	Deposits	39	-	-	(4)	35
Contents First Inc.	Deposits	12,650	-	8,700	(2,650)	1,300
December & Company Inc.	Deposits	1	-	-	-	1
GENINUS Inc.	Deposits	34,415	-	-	(9,663)	24,752
Mantisco Co., Ltd.	Deposits	386	-	-	(249)	137
Pin Therapeutics Inc.	Deposits	-	15,000	-	3,043	18,043
G1 Playground Co., Ltd.	Deposits	354	-	-	(340)	14
SuperNGine Co., Ltd.	Deposits	944	-	-	(321)	623
Desilo Inc.	Deposits	168	-	-	(148)	20
Turing Co., Ltd.	Deposits	1,054	-	-	199	1,253
IGGYMOB Co., Ltd.	Deposits	2,938	-	-	(1,398)	1,540
KB Pre IPO Secondary Venture Fund No.1 <sup>2</sup>	Deposits	103	-	-	(103)	-
<b>Key management personnel <sup>3</sup></b>	Deposits	11,757	2,370	2,031	3,405	15,501

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(In millions of Korean won)

			2021			
			Beginning	Borrowing	Repayment	Ending
Parent					Others <sup>1</sup>	
KB Financial Group Inc.	Deposits		23,084	-	-	2,044,078
<b>Parent's subsidiaries</b>						
KB Securities Co., Ltd.	Deposits		464,584	-	54,519	542,532
KB Asset Management Co., Ltd.	Deposits		6,915	-	-	9,482
KB Real Estate Trust Co., Ltd.	Deposits		71,261	-	-	48,641
KB Investment Co., Ltd.	Deposits		93,970	53,000	58,000	84,917
KB Credit Information Co., Ltd.	Deposits		5,340	1,065	1,015	4,794
KB Data System Co., Ltd.	Deposits		17,561	-	4,000	14,787
KB Life Insurance Co., Ltd.	Deposits		2,085	-	-	4,290
KB Kookmin Card Co., Ltd.	Deposits		92,490	22,000	22,000	91,082
KB Capital Co., Ltd.	Deposits		190,331	-	-	91,374
KB Insurance Co., Ltd.	Deposits		3,365	-	-	3,158
	Debentures		29,994	-	-	29,995
Prudential Life Insurance Company of Korea Ltd.	Deposits		303	-	-	1,101
	Debentures		30,000	-	-	30,000
KB Star Office Private Real Estate Master Fund No.3	Deposits		171	-	-	171
KB Star Office Private Real Estate Feeder Fund No.4	Deposits		532	-	-	532
<b>Associates</b>						
Korea Credit Bureau Co., Ltd.	Deposits		19,982	-	-	4,751
Incheon Bridge Co., Ltd.	Deposits		39,520	-	5,000	28,783
DPAPS Co., Ltd. <sup>2</sup>	Deposits		-	-	-	3
Jungdo Co., Ltd.	Deposits		4	-	-	4
Dae-A Leisure Co., Ltd.	Deposits		636	-	-	555
Computerlife Co., Ltd.	Deposits		-	-	-	1
Skydigital Inc.	Deposits		15	-	-	24
Jo Yang Industrial Co., Ltd.	Deposits		2	-	-	-
KB High-Tech Company Investment Fund	Deposits		12,695	-	-	1,258
Aju Good Technology Venture Fund	Deposits		3,093	-	-	4,923
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits		923	-	-	331
KB Digital Innovation & Growth New Technology Business Investment Fund	Deposits		1,801	-	-	740
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Deposits		8,097	-	-	9,829
KB Global Platform Fund	Deposits		20,197	-	-	10,819
Neomio Corp. <sup>2</sup>	Deposits		535	-	-	-
WJ Private Equity Fund No.1	Deposits		349	-	-	180
<b>Associate of Parent</b>						
KB Star Office Private Real Estate Investment Trust No.1	Deposits		4,255	-	1,593	2,307

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**Associates of Parent's subsidiaries**

SY Auto Capital Co., Ltd.	Deposits	6	-	-	(1)	5
KB No.17 Special Purpose Acquisition Company <sup>2</sup>	Deposits	1,711	1,546	1,525	(23)	1,709
KB No.18 Special Purpose Acquisition Company	Deposits	2,101	-	-	(23)	2,078
KB No.19 Special Purpose Acquisition Company	Deposits	1,053	-	-	(19)	1,034
KB No.20 Special Purpose Acquisition Company	Deposits	1,716	-	-	(10)	1,706
RAND Bio Science Co., Ltd.	Deposits	693	-	400	(33)	260
Food Factory Co., Ltd.	Deposits	1,555	507	500	(627)	935
Acts Co., Ltd.	Deposits	18	-	-	31	49
Paycoms Co., Ltd.	Deposits	1	-	-	-	1
Big Dipper Co., Ltd.	Deposits	1	-	-	6	7
Wyatt Corp.	Deposits	1	-	-	-	1
Stratio, Inc.	Deposits	13	-	-	(13)	-
UPRISE, Inc.	Deposits	11	-	-	(9)	2
CellinCells Co., Ltd.	Deposits	260	-	-	(202)	58
COSES GT Co., Ltd.	Deposits	292	-	-	1,223	1,515
SwatchOn Inc.	Deposits	3,947	-	3,000	1,546	2,493
Gomi corporation Inc.	Deposits	37	-	-	55	92
S&E bio Co., Ltd.	Deposits	1,142	-	-	(273)	869
KB Pre IPO Secondary Venture Fund No.1 <sup>2</sup>	Deposits	629	-	-	(31)	598
4N Inc.	Deposits	76	-	-	(59)	17
Contents First Inc.	Deposits	1,823	-	990	(817)	16
December & Company Inc.	Deposits	1	-	-	-	1
GENINUS Inc.	Deposits	13,630	-	-	(7,152)	6,478
Mantisco Co., Ltd.	Deposits	-	-	-	1,141	1,141
<b>Key management personnel <sup>3</sup></b>	<b>Deposits</b>	<b>11,023</b>	<b>2,615</b>	<b>2,319</b>	<b>3,057</b>	<b>14,376</b>

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

<sup>2</sup> Excluded from the Group's related party as of March 31, 2022.

<sup>3</sup> Includes borrowing transactions that occurred before they became related parties.

**Kookmin Bank and Subsidiaries**  
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32.7 Details of significant investment and withdrawal transactions with related parties for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022	
	Equity investment and others	Withdrawal and others
<b>Parent's subsidiaries</b>		
KB Hanbando BTL Private Special Asset Fund No.1	-	4,909
KB Hope Sharing BTL Private Special Asset Fund	-	319
KB Intellectual Property Fund	-	180
KB Global Core Bond Securities Feeder Fund(Bond)	-	42,737
KB New Renewable Energy Private Special Asset Fund No.1	3,492	456
KB Mezzanine Private Securities Fund No.3	-	6,276
KB Wise Star Jongno Tower Real Estate Master Fund	-	1,212
KB Europe Renewable Private Special Asset Fund No.2 (SOC-FoFs)	-	1,102
KB BMO Senior Loan Private Special Asset Fund No.2(USD)	-	387
KB Korea Short Term Premium Private Securities No.19(USD)(Bond) *	-	23,985
KB Korea Short Term Premium Private Securities No.21(USD)(Bond) *	-	36,102
KB Korea Short Term Premium Private Securities No.25(USD)(Bond)	47,672	-
KB Korea Short Term Premium Private Securities No.26(USD)(Bond)	35,910	-
KB Korea Short Term Premium Private Securities Fund No.27(USD)(Bond)	59,980	-
KB Korea Short Term Premium Private Securities Fund No.28(USD)(Bond)	95,368	-
KB Sinansan Line Private Special Asset Fund(SOC)	6,502	336
KB New Renewable Green New Deal Private Special Asset No.2	1,824	113
KB MCF Senior Loan Private Special Asset Fund No.3(FoFs)	14,142	92
KB New Deal Infra Private Special Asset Fund	-	4
KB Star ESG Prime Mid-Short Bond Securities Feeder Fund(Bond)	50,000	48,800
KB GK Project Private Special Asset Fund No.3	-	54,361
<b>Associates</b>		
Balhae Infrastructure Company	-	14,231
KB-TS Technology Venture Private Equity Fund	-	750
KB SPROTT Renewable Private Equity Fund No.1	9,748	-
KB Smart Scale Up Fund	8,000	-
KB-SOLIDUS Healthcare Investment Fund	3,000	-
<b>Associate of Parent's subsidiaries</b>		
KB Co-Investment Private Equity Fund No.1	1,900	-

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

	2021	
	Equity investment and others	Withdrawal and others
<b>Parent's subsidiaries</b>		
PT KB DATA SYSTEMS INDONESIA	145	-
KB Hanbando BTL Private Special Asset Fund No.1	-	5,079
KB Hope Sharing BTL Private Special Asset Fund	-	502
KB Senior Loan Private Fund No.1 *	-	64
KB Global Core Bond Securities Feeder Fund(Bond)	-	20,261
KB New Renewable Energy Private Special Asset Fund No.1	-	449
KB Mezzanine Private Securities Fund No.3	10,014	-
KB Wise Star Jongno Tower Real Estate Master Fund	-	845
KB BMO Senior Loan Private Special Asset Fund No.2(USD)	3,510	377
KB Korea Short Term Premium Private Securities No.19(USD)(Bond) *	22,088	-
KB Korea Short Term Premium Private Securities No.21(USD)(Bond) *	33,213	-
KB Sinansan Line Private Special Asset Fund(SOC)	3,492	1,828
<b>Associates</b>		
Korea Credit Bureau Co., Ltd.	-	90
Balhae Infrastructure Company	279	3,620
KB GwS Private Securities Investment Trust *	-	147,785
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2 *	-	1,440
Future Planning KB Start-up Creation Fund	-	1,800
KB High-Tech Company Investment Fund	-	5,950
KB-TS Technology Venture Private Equity Fund	-	480
KB-UTC Inno-Tech Venture Fund	3,390	-
KB Pre-IPO New Technology Business Investment Fund No.2	2,500	-
KB Smart Scale Up Fund	4,000	-
<b>Associate of Parent's subsidiaries</b>		
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	1,628	-

\* Excluded from the Group's related party as of March 31, 2022.

**Kookmin Bank and Subsidiaries**  
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32.8 Acceptances and guarantees and unused commitments provided to related parties as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

		<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Loan commitments in Korean won	140,000	140,000
KB Investment Co., Ltd.	Loss sharing agreements	1,000	1,000
KB Kookmin Card Co., Ltd.	Loan commitments in Korean won	820,000	820,000
	Other commitments in Korean won	1,700,000	1,300,000
KB Capital Co., Ltd.	Other commitments in foreign currency	29,301	13,041
KB Insurance Co., Ltd.	Loan commitments in Korean won	21,000	21,000
KB New Renewable Energy Private Special Asset Fund No.1	Purchase of securities	3,010	6,502
KB Mezzanine Private Securities Fund No.3	Purchase of securities	8,006	8,006
KB Europe Renewable Private Special Asset Fund No.2 (SOC-FoFs)	Purchase of securities	4,372	4,343
KB Global Infra Private Special Asset Fund No.5	Purchase of securities	24,999	24,999
KB Global Infra Private Special Asset Fund No.6	Purchase of securities	24,999	24,999
KB BMO Senior Loan Private Special Asset Fund No.2(USD)	Purchase of securities	28	27
KB New Renewable Green New Deal Private Special Asset No.2	Purchase of securities	25,210	27,651
KB Sinansan Line Private Special Asset Fund(SOC)	Purchase of securities	226,294	232,796
KB MCF Senior Loan Private Special Asset Fund No.3(FoFs)	Purchase of securities	1,294	14,287
KB New Deal Infra Private Special Asset Fund	Purchase of securities	17,692	17,692
KB Logistics Blind Private Real Estate Fund No.1	Purchase of securities	68,889	68,889
KB GK Project Private Special Asset Fund No.3	Purchase of securities	25	29
<b>Associates</b>			
Balhae Infrastructure Company	Purchase of securities	6,154	6,154
Incheon Bridge Co., Ltd.	Loan commitments in Korean won	20,000	20,000
KB-TS Technology Venture Private Equity Fund	Purchase of securities	330	330
KB SPROTT Renewable Private Equity Fund No.1	Purchase of securities	5,140	14,887
KB Global Platform Fund	Purchase of securities	8,000	8,000
KB Smart Scale Up Fund	Purchase of securities	11,000	19,000
KB-KTB Technology Venture Fund	Purchase of securities	12,000	12,000
KB Digital Platform Fund	Purchase of securities	127,400	127,400
KB-SOLIDUS Healthcare Investment Fund	Purchase of securities	26,400	29,400
KB New Deal Innovation Fund	Purchase of securities	16,000	16,000

**Kookmin Bank and Subsidiaries**  
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**Associates of Parent's subsidiaries**

KB-Stonebridge Secondary Private Equity Purchase of securities Fund		3,188	3,188
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	Purchase of securities	5,536	5,536
KB Co-Investment Private Equity Fund No.1	Purchase of securities	18,100	20,000
<b>Key management personnel</b>	Loan commitments in Korean won	1,355	808

32.9 Acceptances and guarantees and unused commitments provided by related parties as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

		<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Parent's subsidiaries</b>			
KB Investment Co., Ltd.	Loss sharing agreements	5,713	7,561
KB Real Estate Trust Co., Ltd.	Purchase of securities	19	19
KB Securities Co., Ltd.	Purchase of securities	19	19
KB Life Insurance Co., Ltd.	Purchase of securities	104	104
KB Insurance Co., Ltd.	Purchase of securities	9	9
KB Asset Management Co., Ltd.	Purchase of securities	2	2
KB Kookmin Card Co., Ltd.	Loan commitment in Korean won	90,962	88,283

32.10 Details of compensation to key management personnel for the three-month periods ended March 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>2022</b>			
	<b>Short-term employee benefits</b>	<b>Post- employment benefits</b>	<b>Share-based payments</b>	<b>Total</b>
Registered directors (executive)	441	11	430	882
Registered directors (non-executive)	123	-	-	123
Non-registered directors	2,096	94	2,573	4,763
	<b>2,660</b>	<b>105</b>	<b>3,003</b>	<b>5,768</b>

(In millions of Korean won)

	<b>2021</b>			
	<b>Short-term employee benefits</b>	<b>Post- employment benefits</b>	<b>Share-based payments</b>	<b>Total</b>
Registered directors (executive)	424	21	692	1,137
Registered directors (non-executive)	119	-	-	119
Non-registered directors	1,671	84	2,346	4,101
	<b>2,214</b>	<b>105</b>	<b>3,038</b>	<b>5,357</b>

32.11 Major types of transactions between the Group and the related parties include deposit taking transactions, loan transactions such as general purpose loans, corporate purchase loans, B2B loans, etc., settlements of funds arising from overseas remittance, providing credit line through the acceptance of letter of credit issued by the Bank, and overdraft accounts arising from net settlement agreement between the Bank and KB Kookmin Card Co., Ltd.

**Kookmin Bank and Subsidiaries**  
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32.12 Details of collateral provided to related parties as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

(In millions of Korean won)		March 31, 2022		December 31, 2021	
		Carrying amount	Collateralized amount	Carrying amount	Collateralized amount
Assets pledged *					
Parent's subsidiaries					
KB Securities Co., Ltd.	Securities	55,065	55,000	54,143	54,000
KB Life Insurance Co., Ltd.	Securities	25,792	25,000	25,813	25,000
KB Insurance Co., Ltd.	Securities	49,982	50,000	49,982	50,000

\* Collaterals related to lease contracts arising from operating activities between related parties are excluded.

32.13 Details of collateral provided by related parties as of March 31, 2022 and December 31, 2021, are as follows:

(In millions of Korean won)

(In millions of Korean won)		March 31, 2022	December 31, 2021
	Assets held as collateral <sup>1</sup>		
Parent's subsidiaries			
KB Securities Co., Ltd.	Time deposits / Beneficiary right certificate	167,000	167,000
	Securities	45,012	25,135
	Real estate <sup>2</sup>	12,000	12,000
KB Life Insurance Co., Ltd.	Securities	10,000	10,000
KB Kookmin Card Co., Ltd.	Time deposits	22,000	22,000
KB Insurance Co., Ltd.	Securities	124,704	90,000
	Real estate	24,570	24,570
KB Credit Information Co., Ltd.	Time deposits and others	2,094	2,054
Prudential Life Insurance Company of Korea Ltd.	Securities	20,079	20,008
KB Star Office Private Real Estate Feeder Fund No.4	Real estate	24,000	24,000
Key management personnel			
	Time deposits and others	360	745
	Real estate	6,975	3,818

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

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

As of March 31, 2022, Incheon Bridge Co., Ltd., a related party, provides fund management account, civil engineering works insurance, and management and operations rights as senior collateral amounting to ₩ 611,000 million to the project financing group consisting of the Bank and 5 other institutions, and as subordinated collateral amounting to ₩ 384,800 million to subordinated debt holders consisting of the Bank and 2 other institutions. Also, it provides certificate of credit guarantee amounting to ₩ 400,000 million as collateral to the project financing group consisting of the Bank and 5 other institutions.

32.14 The amounts of debt securities and others purchased through KB securities Co., Ltd. are ₩ 1,581,204 million and ₩ 2,848,150 million for the three-month periods ended March 31, 2022 and 2021, respectively, and the amounts of debt securities and others sold through KB securities Co., Ltd. are ₩ 397,463 million and ₩ 3,521,141 million for the three-month periods ended March 31, 2022 and 2021, respectively. In addition, KB Securities Co., Ltd. acquired ₩ 120,000 million of debentures issued by the Bank through underwriting for the three-month period ended March 31, 2021.



**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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32.15 The amounts of intangible assets and others purchased from KB Data System Co., Ltd. are ₩ 3,281 million and ₩ 5,104 million for the three-month periods ended March 31, 2022 and 2021, respectively.

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

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



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**Independent Auditors' Report**

To the Shareholder and Board of Directors  
Kookmin Bank

**Opinion**

We have audited the consolidated financial statements of Kookmin Bank and its subsidiaries (collectively the "Group"), which comprise the statements of financial position as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2021 and 2020, and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

**Basis for Opinion**

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

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

As described in note 37.6 (b) to the consolidated financial statements, the proliferation of COVID-19 has had a negative influence on the global economy, which may have a greater impact on expected credit losses and potential impairment of assets in a particular portfolio, and it could negatively affect the profit generation capability of the Group. Our opinion is not modified in respect of this matter.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Seoul, Korea *KPMG Samjong Accounting Corp.*  
March 10, 2022

This report is effective as of March 10, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

**Kookmin Bank and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2021 and 2020**

(In millions of Korean won)

	Notes	December 31, 2021	December 31, 2020
<b>Assets</b>			
Cash and due from financial institutions	4,6,7,36	₩ 25,164,991	₩ 19,972,269
Financial assets at fair value through profit or loss	4,6,8,12	18,834,364	16,042,357
Derivative financial assets	4,6,9	2,965,626	4,456,668
Loans measured at amortized cost	4,6,8,10,11	361,144,701	327,332,495
Financial investments	4,6,8,12	63,744,909	58,286,482
Investments in associates	13	390,957	441,325
Property and equipment	8,14	3,933,943	4,041,894
Investment property	14	325,065	318,101
Intangible assets	15	1,028,494	962,654
Current income tax assets	32	61,314	47,847
Deferred income tax assets	16,32	149,869	58,339
Assets held for sale	17	237,318	197,727
Other assets	4,6,18	5,583,347	6,285,956
<b>Total assets</b>		<b>₩ 483,564,898</b>	<b>₩ 438,444,114</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	4,6	₩ 112,698	₩ 141,277
Derivative financial liabilities	4,6,9	2,749,412	4,282,364
Deposits	4,6,19	363,141,416	330,352,491
Borrowings	4,6,20	32,523,161	26,870,831
Debentures	4,6,21	29,718,734	26,969,584
Provisions	22	426,867	388,014
Net defined benefit liabilities	23	155,284	165,402
Current income tax liabilities	32	57,281	37,481
Deferred income tax liabilities	16,32	701,561	346,850
Other liabilities	4,6,24,30	21,089,571	18,481,746
<b>Total liabilities</b>		<b>450,675,985</b>	<b>408,036,040</b>
<b>Equity</b>			
Capital stock	25	2,021,896	2,021,896
Hybrid securities	25	574,523	574,523
Capital surplus	25	5,025,335	4,808,482
Accumulated other comprehensive income	25,34	1,395,156	494,445
Retained earnings	25,33,34	23,660,721	22,243,552
(Provision of regulatory reserve for credit losses			
December 31, 2021 : ₩ 2,534,401 million			
December 31, 2020 : ₩ 2,441,875 million)			
(Amounts estimated to be appropriated			
December 31, 2021 : ₩ 380,761 million			
December 31, 2020 : ₩ 92,526 million)			
<b>Equity attributable to the shareholder of Kookmin Bank</b>		<b>32,677,631</b>	<b>30,142,898</b>
<b>Non-controlling interests</b>		<b>211,282</b>	<b>265,176</b>
<b>Total equity</b>		<b>32,888,913</b>	<b>30,408,074</b>
<b>Total liabilities and equity</b>		<b>₩ 483,564,898</b>	<b>₩ 438,444,114</b>

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

**Kookmin Bank and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2021 and 2020**

<i>(In millions of Korean won)</i>	<b>Notes</b>	<b>2021</b>	<b>2020</b>
Interest income		₩ 10,674,361	₩ 10,456,165
Interest income from financial instruments at fair value through other comprehensive income and amortized cost		10,515,589	10,265,173
Interest income from financial instruments at fair value through profit or loss		158,772	190,992
Interest expense		(2,945,885)	(3,701,399)
<b>Net interest income</b>	26	<u>7,728,476</u>	<u>6,754,766</u>
Fee and commission income		1,586,944	1,449,687
Fee and commission expense		(399,063)	(381,765)
<b>Net fee and commission income</b>	27	<u>1,187,881</u>	<u>1,067,922</u>
<b>Net gains on financial instrument at fair value through profit or loss</b>	28	<u>342,834</u>	<u>244,183</u>
<b>Net other operating expenses</b>	29	<u>(819,739)</u>	<u>(230,206)</u>
<b>General and administrative expenses</b>	14, 15, 23, 30, 40	<u>(4,402,731)</u>	<u>(4,201,346)</u>
<b>Operating income before provision for credit losses</b>		<u>4,036,721</u>	<u>3,635,319</u>
Provision for credit losses	7, 11, 12, 18, 22	<u>(522,728)</u>	<u>(484,182)</u>
<b>Net operating income</b>		<u>3,513,993</u>	<u>3,151,137</u>
Share of profit (loss) of associates	13	57,156	(48,158)
Net other non-operating income (expenses)	31	<u>(79,605)</u>	<u>28,844</u>
<b>Net non-operating expenses</b>		<u>(22,449)</u>	<u>(19,314)</u>
<b>Profit before income tax expense</b>		<u>3,491,544</u>	<u>3,131,823</u>
Income tax expense	32	<u>(953,515)</u>	<u>(812,304)</u>
<b>Profit for the period</b>		<u>2,538,029</u>	<u>2,319,519</u>
(Adjusted profit after provision of regulatory reserve for credit losses	25		
December 31, 2021 : ₩ 2,210,003 million			
December 31, 2020 : ₩ 2,205,669 million)			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of net defined benefit liabilities	23	(71,615)	(4,166)
Gains on equity securities at fair value through other comprehensive income		873,707	666,641
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences		208,480	(154,972)
Gains (losses) on debt securities at fair value through other comprehensive income		(274,010)	30,750
Share of other comprehensive income (loss) of associates		165	(6,978)
Gains (losses) on hedging instruments of net investments in foreign operations	9	(54,409)	61,329
Gains (losses) on cash flow hedging instruments	9	9,984	(6,382)
<b>Other comprehensive income for the period, net of tax</b>	34	<u>692,302</u>	<u>586,222</u>
<b>Total comprehensive income for the period</b>		<u>₩ 3,230,331</u>	<u>₩ 2,905,741</u>
<b>Profit attributable to:</b>			
Shareholder of Kookmin Bank		₩ 2,590,764	₩ 2,298,195
Non-controlling interests		(52,735)	21,324
		<u>₩ 2,538,029</u>	<u>₩ 2,319,519</u>
<b>Total comprehensive income for the period attributable to:</b>			
Shareholder of Kookmin Bank		₩ 3,265,921	₩ 2,905,953
Non-controlling interests		(35,590)	(212)
		<u>₩ 3,230,331</u>	<u>₩ 2,905,741</u>

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

**Kookmin Bank and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2021 and 2020**

	Attributable to the shareholder of the Kookmin Bank													
	Capital stock		Hybrid securities		Capital surplus		Accumulated other comprehensive income		Retained earnings	Non-controlling interests	Total equity			
(In millions of Korean won)														
Balance as of January 1, 2020	₩	2,021,896	₩	574,523	₩	5,219,704	₩	123,334	₩	21,064,776	₩	-	₩	29,004,233
Comprehensive income for the period														
Profit for the period		-		-		-		-		2,298,195		21,324		2,319,519
Remeasurements of net defined benefit liabilities		-		-		-		(4,111)		-		(55)		(4,166)
Gains on equity securities at fair value through other comprehensive income		-		-		-		429,994		236,647		-		666,641
Currency translation differences		-		-		-		(134,469)		-		(20,503)		(154,972)
Gains (losses) on debt securities at fair value through other comprehensive income		-		-		-		31,728		-		(978)		30,750
Share of other comprehensive loss of associates		-		-		-		(6,978)		-		-		(6,978)
Gains on hedging instruments of net investments in foreign operations		-		-		-		61,329		-		-		61,329
Losses on cash flow hedging instruments		-		-		-		(6,382)		-		-		(6,382)
Total comprehensive income for the period		-		-		-		371,111		2,534,842		(212)		2,905,741
Transactions with the shareholder														
Dividends		-		-		-		-		(731,926)		-		(731,926)
Interim dividends		-		-		-		-		(598,481)		-		(598,481)
Dividends on hybrid securities		-		-		-		-		(25,659)		-		(25,659)
Transactions with non-controlling interests		-		-		(411,222)		-		-		265,388		(145,834)
Total transactions with the shareholder		-		-		(411,222)		-		(1,356,066)		265,388		(1,501,900)
Balance as of December 31, 2020	₩	2,021,896	₩	574,523	₩	4,808,482	₩	494,445	₩	22,243,552	₩	265,176	₩	30,408,074
Balance as of January 1, 2021	₩	2,021,896	₩	574,523	₩	4,808,482	₩	494,445	₩	22,243,552	₩	265,176	₩	30,408,074
Comprehensive income for the period														
Profit for the period		-		-		-		-		2,590,764		(52,735)		2,538,029
Remeasurements of net defined benefit liabilities		-		-		-		(72,054)		-		439		(71,615)
Gains (losses) on equity securities at fair value through other comprehensive income		-		-		-		1,105,217		(231,510)		-		873,707
Currency translation differences		-		-		-		192,705		-		15,775		208,480
Gains (losses) on debt securities at fair value through other comprehensive income		-		-		-		(274,941)		-		931		(274,010)
Share of other comprehensive income of associates		-		-		-		165		-		-		165
Losses on hedging instruments of net investments in foreign operations		-		-		-		(54,409)		-		-		(54,409)
Gains on cash flow hedging instruments		-		-		-		9,984		-		-		9,984
Total comprehensive income for the period		-		-		-		906,667		2,359,254		(35,590)		3,230,331
Transactions with the shareholder														
Dividends		-		-		-		-		(917,941)		-		(917,941)
Dividends on hybrid securities		-		-		-		-		(24,144)		-		(24,144)
Transactions with non-controlling interests		-		-		216,853		(5,956)		-		(18,304)		192,593
Total transactions with the shareholder		-		-		216,853		(5,956)		(942,085)		(18,304)		(749,492)
Balance as of December 31, 2021	₩	2,021,896	₩	574,523	₩	5,025,335	₩	1,395,156	₩	23,660,721	₩	211,282	₩	32,888,913

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

**Kookmin Bank and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

(In millions of Korean won)		Notes	2021	2020
<b>Cash flows from operating activities</b>				
Profit for the period		₩	2,538,029	₩ 2,319,519
Adjustment for non-cash items				
Net gains on financial instruments at fair value through profit or loss			(161,792)	(217,768)
Net losses on derivative financial instrument for hedging purposes			13,132	8,168
Adjustment of fair value of derivative financial instruments			-	(3,198)
Provision for credit losses			523,010	484,257
Net gains on financial investments			(12,736)	(179,941)
Share of loss (profit) of associates			(57,156)	48,157
Depreciation and amortization expense			537,628	569,721
Other net losses (gains) on property and equipment/intangible assets			18,731	(77,011)
Share-based payment			27,995	13,364
Post-employment benefits			158,512	159,393
Net interest income			405,793	559,070
Losses on foreign currency translation			(89,447)	(155,831)
Other expenses (income)			45,514	(14,318)
			<u>1,409,184</u>	<u>1,194,063</u>
Changes in operating assets and liabilities				
Financial assets at fair value through profit or loss			(1,629,702)	(1,405,459)
Derivative financial instrument			71,935	42,804
Loans measured at amortized cost			(32,510,459)	(28,338,718)
Current income tax assets			(4,308)	(24,211)
Deferred income tax assets			(90,423)	(58,957)
Other assets			(4,234,411)	(3,478,528)
Financial liabilities at fair value through profit or loss			(34,193)	49,648
Deposits			31,129,121	23,689,107
Deferred income tax liabilities			165,924	(174,090)
Other liabilities			3,221,530	(1,139,460)
			<u>(3,914,986)</u>	<u>(10,837,864)</u>
<b>Net cash inflow (outflow) from operating activities</b>			<u>32,227</u>	<u>(7,324,282)</u>
<b>Cash flows from investing activities</b>				
Net cash flows from derivative financial instrument for hedging purposes			9,575	8,983
Disposal of financial assets at fair value through profit or loss			6,019,093	6,729,781
Acquisition of financial assets at fair value through profit or loss			(6,993,541)	(7,477,327)
Disposal of financial investments			42,261,739	72,170,571
Acquisition of financial investments			(46,589,385)	(76,954,130)
Disposal of investments in associates			197,396	187,181
Acquisition of investments in associates			(89,644)	(200,023)
Disposal of property and equipment			9,050	1,913
Acquisition of property and equipment			(198,681)	(340,477)
Disposal of investment property			1,581	267,836
Acquisition of investment property			-	(125)
Disposal of intangible assets			1,834	4,260
Acquisition of intangible assets			(92,474)	(77,960)
Net cash flows from changes in ownership of subsidiaries			80,451	(388,621)
Others			(23,269)	33,219
<b>Net cash outflow from investing activities</b>			<u>(5,406,275)</u>	<u>(6,034,919)</u>
<b>Cash flows from financing activities</b>				
Net cash flows from derivative financial instrument for hedging purposes			5,870	(16,182)
Increase in borrowings			4,743,115	6,332,405
Increase in debentures			20,014,042	19,952,932
Decrease in debentures			(17,598,345)	(11,653,980)
Payment of dividends			(917,941)	(1,330,407)
Increase (decrease) in other payables to trust accounts			(509,106)	2,326,495
Cash outflow from consolidated equity transactions			(188,419)	-
Others			(257,954)	(60,866)
<b>Net cash inflow from financing activities</b>			<u>5,291,262</u>	<u>15,550,397</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>			<u>275,678</u>	<u>(266,209)</u>
<b>Net increase in cash and cash equivalents</b>			<u>192,892</u>	<u>1,924,987</u>
<b>Cash and cash equivalents at the beginning of the period</b>	36		<u>6,804,299</u>	<u>4,879,312</u>
<b>Cash and cash equivalents at the end of the period</b>	36	₩	<u>6,997,191</u>	<u>₩ 6,804,299</u>

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

# **Kookmin Bank and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2021 and 2020**

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#### **1. Reporting Entity**

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

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

The Bank listed its shares on the Stock Market Division of the Korea Exchange (“KRX”) in September 1994. As a result of the merger with H&CB, the shareholders of the former Kookmin Bank and H&CB received new common shares of the Bank which were relisted on the KRX on November 9, 2001. In addition, H&CB listed its American Depositary Shares (“ADS”) on the New York Stock Exchange (“NYSE”) on October 3, 2000, prior to the merger. Following the merger with H&CB, the Bank listed its ADS on the NYSE on November 1, 2001. The Bank became a wholly owned subsidiary of KB Financial Group Inc. through a comprehensive stock transfer on September 29, 2008. Subsequently, the Bank’s shares and its ADS, each listed on the KRX and the NYSE, were delisted on October 10, 2008 and September 26, 2008, respectively. As of December 31, 2021, the Bank’s paid-in capital is ₩ 2,021,896 million.

The Bank engages in the banking business in accordance with the Banking Act, trust business in accordance with the Financial Investment Services and Capital Markets Act, mobile virtual network business in accordance with Special Act on Support for Financial Innovation, and other relevant businesses. As of December 31, 2021, the Bank operates its Seoul headquarters and 914 domestic branches, and eight overseas branches (excluding six subsidiaries and one office).

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

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

The Bank and its subsidiaries (collectively the “Group”) maintains its accounting records in Korean won and prepares statutory consolidated financial statements in the Korean language in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“Korean IFRS”).

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

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. Management also needs to exercise judgment in applying the Group’s accounting policies. The areas that require a more complex and higher level of judgment or areas that require significant assumptions and estimations are disclosed in Note 2.4.

2.1.1 The Group has applied the following amended standards for the first time for its annual reporting period commencing January 1, 2021.



## **Kookmin Bank and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

#### **December 31, 2021 and 2020**

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*- Amendments to Korean IFRS No.1116 Leases – Practical Expedient for COVID-19-Related Rent Exemption, Concessions, Suspension*

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. These amendments do not have a significant impact on the consolidated financial statements.

*- Amendments to Korean IFRS No.1109 Financial Instruments, Korean IFRS No.1039 Financial Instruments: Recognition and Measurement, Korean IFRS No.1107 Financial Instruments: Disclosure, Korean IFRS No.1104 Insurance Contracts, and Korean IFRS No.1116 Leases – Interest Rate Benchmark Reform*

In relation to interest rate benchmark reform, the amendments provide a practical expedient allowing entities to change the effective interest rate instead of changing the carrying amount and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. These amendments do not have a significant impact on the consolidated financial statements.

2.1.2 The following new and amended standards have been published that are not mandatory for December 31, 2021 reporting period and have not been adopted by the Group.

*- Amendments to Korean IFRS No.1116 Leases - COVID-19-Related Rent Concessions, etc. 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 30 June 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendments should be applied for annual reporting 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 consolidated financial statements.

*- Amendments to Korean IFRS No.1103 Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities to qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korean IFRS No.1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS No.2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

*- Amendments to Korean IFRS No.1016 Property, Plant and Equipment - Proceeds Before Intended Use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, as profit or loss. The amendments should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

*- Amendments to Korean IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Cost of Fulfilling a Contract*

## **Kookmin Bank and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

#### **December 31, 2021 and 2020**

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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 reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

#### *- Amendments to Korean IFRS No.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 the right to defer settlement of the liability or the management's expectations thereof. Also, the settlement of liability includes the transfer of the entity's own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

#### *- Issuance of Korean IFRS No.1117 Insurance Contracts*

Korean IFRS No.1117 *Insurance Contracts* will replace Korean IFRS No.1104 *Insurance Contracts*. This standard requires an entity to estimate future cash flows of an insurance contract and measure insurance liabilities using discount rates applied with assumptions and risks at the measurement date and recognize insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual reporting period. In addition, investment components (refunds due to termination and maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and net insurance income and net investment income are presented separately to enable users of the information to understand the sources of net income. This standard should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS No.1109 *Financial Instruments*. The Group is scheduled to apply this standard for annual reporting period beginning on January 1, 2023. The Group does not expect that this new standard has a significant impact on the consolidated financial statements.

#### *- Amendments to Korean IFRS No.1001 Presentation of Financial Statements – Accounting Policy Disclosure*

The amendments require an entity to define and disclose their material accounting policy information. IFRS Practice Statement 2 *Making Materiality Judgements* was amended to explain and demonstrate how to apply the concept of materiality. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

## **Kookmin Bank and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

#### **December 31, 2021 and 2020**

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#### *- Amendments to Korean IFRS No.1008 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

The amendments introduce the definition of accounting estimates and clarify how to distinguish changes in accounting estimates from changes in accounting policies. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

#### *- Amendments to Korean IFRS No.1012 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

The amendments narrow the scope of the deferred tax recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

#### *- Annual improvements to Korean IFRS 2018-2020*

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Korean IFRS No.1101 *First-time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS No.1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS No.1116 *Leases* – Lease incentives
- Korean IFRS No.1041 *Agriculture* – Measuring fair value

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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**2.2 Measurement Basis**

The consolidated financial statements have been prepared based on the historical cost accounting model unless otherwise specified.

**2.3 Functional and Presentation Currency**

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

**2.4 Critical Accounting Estimates**

The Group applies accounting policies and uses judgements, accounting estimates, and assumptions that may have a significant impact on the assets (liabilities) and incomes (expenses) in preparing the consolidated financial statements. Management's estimates of outcomes may differ from actual outcomes if management's estimates and assumptions based on management's best judgment are different from the actual environment.

Estimates and underlying assumptions are continually evaluated, and changes in accounting estimates are recognized in the period in which the estimates are changed and in any future periods affected.

Uncertainties in estimates and assumptions with significant risks that may result in material adjustments to the consolidated financial statements are as follows:

**2.4.1 Income taxes**

As the income taxes on the Group's taxable income is calculated by applying the tax laws of various countries and the decisions of tax authorities, there is uncertainty in calculating the final tax effect.

If a certain portion of the taxable income is not used for investments, wages, etc. in accordance with the Korean regulation called 'Special Taxation for Facilitation of Investment and Mutually-beneficial Cooperation', the Group is liable to pay additional income tax calculated based on the tax laws. Therefore, the effect of recirculation of corporate income should be reflected in current and deferred income tax. As the Group's income tax is dependent on the actual investments, wages, etc. per each year, there are uncertainties in measuring the final tax effects during the period when the tax law is applied.

**2.4.2 Fair value of financial instruments**

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available is determined by using valuation techniques. Financial instruments, which are not actively traded in the market and those with less transparent market prices, will have less objective fair values and require broad judgment on liquidity, concentration, uncertainty in market factors, assumptions in fair value determination, and other risks.

As described in the significant accounting policies in Note 3.3 Recognition and Measurement of Financial Instruments, diverse valuation techniques are used to determine the fair value of financial instruments, from generally accepted market valuation models to internally developed valuation models that incorporate various types of assumptions and variables

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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2.4.3 Allowances and provisions for credit losses

The Group recognizes and measures allowances for credit losses of debt instruments measured at amortized cost and debt instruments measured at fair value through other comprehensive income. Also, the Group recognizes and measures provisions for credit losses of acceptances and guarantees, and unused loan commitments. Accuracy of allowances and provisions for credit losses is dependent upon estimation of expected cash flows of the borrower subject to individual assessment of impairment, and upon assumptions and variables of model used in collective assessment of impairment and estimation of provisions for credit losses of acceptances and guarantees, and unused loan commitments.

2.4.4 Net defined benefit liability

The present value of the net defined benefit liability is affected by changes in the various factors determined by the actuarial method.

2.4.5 Impairment of goodwill

The recoverable amounts of cash-generating units are determined based on value-in-use calculations to test whether impairment of goodwill has occurred.

2.4.6 Assessment of expected credit losses of financial instruments related to COVID-19

The proliferation of COVID-19 in 2021 negatively affected the global economy, despite various forms of government support policy. Accordingly, the Group was provided with various economic forecasting scenarios from KB Research, assuming macroeconomic changes due to the level of COVID-19 pandemic. The Group reviewed the possibilities of each scenario comprehensively, updated the forward-looking information, and reflected its effect on expected credit losses through the statistical method. In addition, for financial assets in risky industries vulnerable to the impact of COVID-19, the Group measured expected credit losses using a conservative scenario comparing to the forecasted forward-looking information and reflected credit risk that will increase in the future, such as by expanding the scope of loans subject to lifetime expected credit losses (non-impaired). The Group will continue to monitor the impact of COVID-19 on the expected credit losses by comprehensively considering the duration of the impact on the entire economy and the government's policies.

# **Kookmin Bank and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2021 and 2020**

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **3.1 Consolidation**

##### **3.1.1 Subsidiaries**

Subsidiaries are companies that are controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Also, the existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls the investee. Subsidiaries are fully consolidated from the date when control is transferred to the Group and de-consolidated from the date when control is lost.

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests, if any. Total comprehensive income is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). The difference between fair value of any consideration paid and carrying amount of the subsidiary's net assets attributable to the additional interests acquired, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group loses control, any investment retained in the former subsidiary is recognized at its fair value at the date when control is lost, with the resulting difference recognized in profit or loss. This fair value will be the fair value on initial recognition of a financial asset in accordance with Korean IFRS No.1109 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. In addition, all amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Therefore, amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Group accounts for each business combination by applying the acquisition method. The consideration transferred is measured at fair value, and identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are initially measured at acquisition-date fair values. For each business combination, the Group measures non-controlling interests in the acquiree that entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation at either (a) fair value or (b) the proportionate share in the recognized amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed in the periods in which the costs are incurred.

## **Kookmin Bank and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

#### **December 31, 2021 and 2020**

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In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be reclassified as profit or loss, or retained earnings, on the same basis as would be required if the Group had directly disposed of the previously held equity interest.

The Group applies the book-value method to account for business combinations of entities under common control. Identifiable assets acquired and liabilities assumed in a business combination are measured at their book value on the consolidated financial statements of the Group. In addition, the difference between (a) the sum of consolidated net book value of the assets and liabilities transferred and accumulated other comprehensive income and (b) the consideration paid, is recognized as capital surplus.

#### **3.1.2 Associates**

Associates are entities over which the Group has significant influence over the financial and operating policy decisions. Generally, if the Group holds 20% or more of the voting power of the investee, it is presumed that the Group has significant influence.

Investments in associates are initially recognized at cost and equity method is applied after initial recognition. The carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investee and changes in the investee's equity after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. Unrealized gains and losses resulting from transactions between the Group and associates are eliminated to the extent of the Group's share in associates. If unrealized losses are an indication of an impairment that requires recognition in the consolidated financial statements, those losses are recognized for the period.

If associates use accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associates' accounting policies conform to those of the Group when the associates' financial statements are used by the Group in applying the equity method.

If the Group's share of losses of associates equals or exceeds its interest in the associates (including long-term interests that, in substance, form part of the Group's net investment in the associates), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

The Group determines at each reporting period whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying amount and recognizes the amount as non-operating expenses in the consolidated statement of comprehensive income.

#### **3.1.3 Structured entity**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. When the Group decides whether it has power over the structured entities in which the Group has interests, it considers factors such as the purpose, the form, the substantive ability to direct the relevant activities of a structured entity, the nature of its relationship with a structured entity, and the amount of exposure to variable returns.

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**3.1.4 Funds management**

The Group manages and operates trust assets, collective investment, and other funds on behalf of investors. These trusts and funds are not consolidated, except for trusts and funds over which the Group has control.

**3.1.5 Intragroup transactions**

Intragroup balances, income, expenses, and any unrealized gains and losses resulting from intragroup transactions are eliminated in full, in preparing the consolidated financial statements. If unrealized losses are an indication of an impairment that requires recognition in the consolidated financial statements, those losses are recognized for the period.

**3.2 Foreign Currency**

**3.2.1 Foreign currency transactions**

A foreign currency transaction is recorded, at initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate which is the spot exchange rate at the end of the reporting period. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was measured and non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Except for the exchange differences for the net investment in a foreign operation and the financial liability designated as a hedging instrument of net investment, exchange differences arising on the settlement of monetary items or on translating monetary items are recognized in profit or loss. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income, conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

**3.2.2 Foreign operations**

The results and financial position of a foreign operation, whose functional currency differs from the Group's presentation currency, are translated into the Group's presentation currency based on the following procedures.

If the functional currency of a foreign operation is not the currency of a hyperinflationary economy, assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the end of the reporting period, income and expenses for each statement of comprehensive income presented (including comparatives) are translated using the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and are translated into the presentation currency at the closing rate.



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On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized. On the partial disposal of a subsidiary that includes a foreign operation, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

#### **3.2.3 Translation of the net investment in a foreign operation**

A monetary item that is receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the Group's net investment in that foreign operation, then foreign currency difference arising from that monetary item is recognized in the other comprehensive income and shall be reclassified to profit or loss on disposal of the net investment.

### **3.3 Recognition and Measurement of Financial Instruments**

#### **3.3.1 Initial recognition**

The Group recognizes a financial asset or a financial liability in its consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets (a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned) is recognized and derecognized using trade date accounting.

For financial reporting purpose, the Group classifies (a) financial assets as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, or financial assets at amortized cost and (b) financial liabilities as financial liabilities at fair value through profit or loss, or other financial liabilities. These classifications are based on the business model for managing financial instruments and the contractual cash flow characteristics of the financial instrument at initial recognition.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of a financial instrument on initial recognition is normally the transaction price (that is, the fair value of the consideration given or received) in an arm's length transaction.

#### **3.3.2 Subsequent measurement**

After initial recognition, financial instruments are measured at amortized cost or fair value based on classification at initial recognition.

##### **3.3.2.1 Amortized cost**

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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3.3.2.2 Fair value

The Group uses quoted price in an active market which is based on listed market price or dealer price quotations of financial instruments traded in an active market as best estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If there is no active market for a financial instrument, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, referencing the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models.

The Group uses valuation models that are commonly used by market participants and customized for the Group to determine fair values of common over-the-counter ("OTC") derivatives such as options, interest rate swaps, and currency swaps which are based on the inputs observable in markets. However, for some complex financial instruments that require fair value measurement by valuation techniques based on certain assumptions because some or all inputs used in the model are not observable in the market, the Group uses internal valuation models developed from general valuation models or valuation results from independent external valuation institutions.

In addition, the fair value information recognized in the consolidated statement of financial position is classified into the following fair value hierarchy, reflecting the significance of the input variables used in the fair value measurement.

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 : Unobservable inputs for the asset or liability

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment using unobservable inputs, that measurement is a Level 3 measurement.

The Group's Fair Value Evaluation Committee, which consists of the risk management department, trading department and accounting department, reviews the appropriateness of internally developed valuation models, and approves the selection and changing of the external valuation institution and other considerations related to fair value measurement. The results of regular verification of the internally developed valuation models are reported to the Market Risk Management Subcommittee.

If the valuation technique does not reflect all factors which market participants would consider in pricing the asset or liability, the fair value is adjusted to reflect those factors. Those factors include counterparty credit risk, bid-ask spread, liquidity risk, and others.

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The Group uses valuation technique which maximizes the use of market inputs and minimizes the use of entity-specific inputs. It incorporates all factors that market participants would consider in pricing the asset or liability and is consistent with economic methodologies applied for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests its validity using prices of observable current market transactions of the same instrument or based on other relevant observable market data.

#### **3.3.3 Derecognition**

Derecognition is the removal of a previously recognized financial asset or financial liability from the consolidated statement of financial position. The derecognition criteria for financial assets and financial liabilities are as follows:

##### **3.3.3.1 Derecognition of financial assets**

A financial asset is derecognized when the contractual rights to the cash flows from the financial assets expire or the Group transfers substantially all the risks and rewards of ownership of the financial asset, or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group has not retained control. Therefore, if the Group does not transfer substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

If the Group transfers the contractual rights to receive the cash flows of the financial asset but retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

The Group writes off a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. In general, the Group considers write-off when it is determined that the debtor does not have sufficient funds or income to cover the principal and interest. The write-off decision is made in accordance with internal regulations. After the write-off, the Group can continue to collect the written-off loans according to the internal policy. Recovered amounts from financial assets previously written-off are recognized in profit or loss.

##### **3.3.3.2 Derecognition of financial liabilities**

A financial liability is derecognized from the consolidated statement of financial position when it is extinguished (i.e., the obligation specified in the contract is discharged, canceled or expires).

#### **3.3.4 Offsetting**

A financial asset and a financial liability are offset, and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on a future event and must be legally enforceable in the normal course of business, the event of default, and the event of insolvency or bankruptcy of the Group and all of the counterparties.

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**3.4 Cash and Due from Financial Institutions**

Cash and due from financial institutions include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and due from financial institutions. Cash and due from financial institutions are measured at amortized cost.

**3.5 Non-derivative Financial Assets**

**3.5.1 Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss unless they are classified as financial assets at amortized cost or at fair value through other comprehensive income.

The Group may designate certain financial assets upon initial recognition as at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in fair value are recognized in profit or loss. Interest income using the effective interest method and dividend income from financial assets at fair value through profit or loss are also recognized in profit or loss.

**3.5.2 Financial assets at fair value through other comprehensive income**

The Group classifies below financial assets as financial assets at fair value through other comprehensive income:

- Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding and;
- Equity instruments that are not held for short-term trading but held for strategic investment, and designated as financial assets at fair value through other comprehensive income

After initial recognition, a financial asset at fair value through other comprehensive income is measured at fair value. Gains or losses arising from a change in fair value, other than dividend income, interest income calculated using the effective interest method and exchange differences arising on monetary items which are recognized directly in profit or loss, are recognized in other comprehensive income in equity.

When the financial assets at fair value through other comprehensive income is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. However, cumulative gain or loss of equity instruments designated at fair value through other comprehensive income is reclassified to retained earnings not to profit or loss at disposal.

A financial asset at fair value through other comprehensive income denominated in foreign currency is translated at the closing rate. Exchange differences resulting from changes in amortized cost are recognized in profit or loss, and other changes are recognized in equity.

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3.5.3 Financial assets at amortized cost

A financial asset, which is held within the business model whose objective is achieved by collecting contractual cash flows, and where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding, is classified as a financial asset at amortized cost. After initial recognition, a financial asset at amortized cost is measured at amortized cost using the effective interest method and interest income is calculated using the effective interest method.

**3.6 Expected Credit Losses of Financial Assets (Debt Instruments)**

The Group recognizes loss allowances for expected credit losses at the end of the reporting period for financial assets at amortized cost and fair value through other comprehensive income except for financial assets at fair value through profit or loss.

Expected credit losses are estimated at present value of probability-weighted amount that is determined by evaluating a range of possible outcomes. The Group measures expected credit losses by reflecting all reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

The approaches of measuring expected credit losses in accordance with Korean IFRS are as follows:

- General approach: for financial assets and unused loan commitments not subject to the below approach
- Credit-impaired approach: for financial assets that are credit-impaired at the time of acquisition

Application of general approach is differentiated depending on whether credit risk has increased significantly after initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures loss allowances for that financial instrument at an amount equal to 12-month expected credit losses, whereas if the credit risk on a financial instrument has increased significantly since initial recognition, the Group measures loss allowances for a financial instrument at an amount equal to the lifetime expected credit losses. Lifetime is the period until the contractual maturity date of financial instruments and means the expected life.

The Group assesses whether the credit risk has increased significantly using the following criteria, and if one or more of the following criteria are met, it is deemed as significant increase in credit risk. Criterion of more than 30 days past due is applied to all subsidiaries, and other criteria are applied selectively considering specific indicators of each subsidiary or additionally considering specific indicators of each subsidiary. If the contractual cash flows of a financial asset have been renegotiated or modified, the Group assesses whether the credit risk has increased significantly using the same following criteria.

- More than 30 days past due
- Decline in credit rating at the end of the reporting period by certain notches or more compared to the time of initial recognition
- Subsequent managing ratings below certain level in the early warning system
- Debt restructuring (except for impaired financial assets) and
- Credit delinquency information of Korea Federation of Banks, etc.

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The Group generally considers the loan to be credit-impaired if one or more of the following criteria are met:

- 90 days or more past due
- Legal proceedings related to collection
- A borrower registered on the credit management list of Korea Federation of Banks
- A corporate borrower with the credit rating C and D
- Refinancing and
- Debt restructuring

#### 3.6.1 Forward-looking information

The Group uses forward-looking information, when determining whether credit risk has increased significantly and measuring expected credit losses.

The Group assumes that the risk components have a constant correlation with the economic cycle and uses statistical methodologies to estimate the relation between key macroeconomic variables and risk components for the expected credit losses. The Group has derived a correlation between the time series data of 11 years or more and the key macroeconomic variables and calculates the expected credit losses by reflecting the results of the correlation on the risk component.

The correlation between the major macroeconomic variables and the credit risk are as follows:

Key macroeconomic variables	Correlation between the major macroeconomic variables and the credit risk
Domestic GDP growth rate	(-)
Composite stock index	(-)
Rate of change of construction investment	(-)
Rate of change of housing transaction price index	(-)
Interest rate spread	(+)
Private consumption growth rate	(-)

Forward-looking information used in calculation of expected credit losses is based on the macroeconomic forecasts utilized by management of the Group for its business plan considering reliable external agency's forecasts and others. The forward-looking information is generated by KB Research with a comprehensive approach to capture the possibility of various economic forecast scenarios that are derived from the internal and external viewpoints of the macroeconomic situation. The Group determines the macroeconomic variables to be used in forecasting future conditions of the economy, considering the direction of the forecast scenario and the significant relationship between macroeconomic variables and time series data. And there are some changes compared to the macroeconomic variables used in the previous year.

In order to reflect additional credit risk for financial assets whose industries are highly affected by COVID-19, the Group measures expected credit losses using a conservative scenario compared to the forecasted forward-looking information.

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**3.6.2 Measuring expected credit losses on financial assets at amortized cost**

The expected credit losses of financial assets at amortized cost are measured as present value of the difference between the contractual cash flows to be received and the cash flows expected to be received. The Group estimates expected future cash flows for financial assets that are individually significant. The Group selects the individually significant financial assets by comprehensively considering quantitative and qualitative factors (such as debt restructuring or negative net assets, etc.) among financial assets with the credit risk has increased significantly or credit-impaired (individual assessment of impairment).

For financial assets that are not individually significant, the Group collectively estimates expected credit losses by grouping loans with a homogeneous credit risk profile (collective assessment of impairment).

**3.6.2.1 Individual assessment of impairment**

Individual assessment of impairment losses is performed using management's best estimate on the present value of expected future cash flows. The Group uses all the available information including financial condition of the borrower such as operating cash flow and net realizable value of any collateral held.

**3.6.2.2 Collective assessment of impairment**

Collective assessment of impairment losses is performed by using a methodology based on historical loss experience and reflecting forward-looking information. Such a process incorporates factors such as type of collateral, type of product, type of borrower, credit rating, size of portfolio, and recovery period and applies Probability of Default ("PD") on a group of assets and Loss Given Default ("LGD") by type of recovery method. Also, the Group applies certain assumptions to model expected credit losses assessment and to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce the gap between loss estimate and actual loss experience.

The lifetime expected credit losses are measured by applying the PD to the carrying amount calculated by deducting the expected principal repayment amount from the carrying amount as of the reporting date and the LGD adjusted to reflect changes in the carrying amount.

**3.6.3 Measuring expected credit losses on financial assets at fair value through other comprehensive income**

The Group measures expected credit losses on financial assets at fair value through other comprehensive income in a manner that is consistent with the requirements that are applicable to financial assets at amortized cost. However, loss allowances are recognized in other comprehensive income. Upon disposal or repayment of financial assets at fair value through other comprehensive income, the amount of loss allowances is reclassified from other comprehensive income to profit or loss.

**3.7 Derivative Financial Instruments**

The Group enters into numerous derivative financial instrument contracts such as currency forwards, interest rate swaps, currency swaps, and others for trading purposes or to manage its interest rate risk, currency risk, and others. The Group's derivative financial instruments business focuses on addressing the needs of the Group's corporate clients to hedge their risk exposure and to hedge the Group's risk exposure that results from such client contracts. These derivative financial instruments are presented as derivative financial instruments in the consolidated financial statements irrespective of transaction purpose and subsequent measurement requirement.

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The Group designates certain derivative financial instruments as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge) and the risk of changes in cash flow (cash flow hedge). The Group designates certain derivative and non-derivative financial instruments as hedging instruments to hedge the currency risk of the net investment in a foreign operation (hedge of net investment).

At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. This documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, the inception date of hedging relationship and how the Group will assess the hedging instrument's effectiveness in offsetting the changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Derivative financial instruments are initially recognized at fair value. After initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below.

#### 3.7.1 Derivative financial instruments held for trading

All derivative financial instruments, except for derivatives that are designated and qualify for hedge accounting, are measured at fair value. Gains or losses arising from changes in fair value are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

#### 3.7.2 Derivative financial instruments for fair value hedges

If derivative financial instruments are designated and qualify for fair value hedges, changes in fair value of the hedging instrument and changes in fair value of the hedged item attributable to the hedged risk are recognized in profit or loss as part of other operating income or expenses. If the hedged items are equity instruments for which the Group has elected to present changes in fair value in other comprehensive income, changes in fair value of the hedging instrument and changes in fair value of the hedged item attributable to the hedged risk are recognized in other comprehensive income.

Fair value hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedging relationship ceases to meet the qualifying criteria. Once fair value hedge accounting is discontinued, the adjustment to the carrying amount of a hedged item is amortized to profit or loss by the maturity of the financial instrument using the effective interest method.

#### 3.7.3 Derivative financial instruments for cash flow hedges

The effective portion of changes in fair value of derivative financial instruments that are designated and qualify for cash flow hedges is recognized in other comprehensive income, limited to the cumulative change in fair value (present value) of the hedged item (the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge. The ineffective portion is recognized in profit or loss as other operating income or expenses. The associated gains or losses that were previously recognized in other comprehensive income are reclassified from equity to profit or loss (other operating income or expenses) as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. Cash flow hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedging relationship ceases to meet the qualifying criteria. When the cash flow hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that have been recognized in other comprehensive income are reclassified to profit or loss over the period in which the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gains or losses that have been recognized in other comprehensive income are immediately reclassified to profit or loss.



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3.7.4 Derivative and non-derivative financial instruments designated for net investments hedges

If derivative and non-derivative financial instruments are designated and qualify for the net investment hedge, the effective portion of changes in fair value of the hedging instrument is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss as other operating income or expenses. The cumulative gains or losses on the hedging instrument relating to the effective portion of the hedge that have been accumulated in other comprehensive income will be reclassified from other comprehensive income to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation.

3.7.5 Risk management strategy

Interest rate risk arises from changes in fair value resulting from changes in the discount rate of fixed rate financial instruments, and changes in cash flows resulting from changes in the nominal interest rate of floating rate financial instruments. Foreign currency risk arises from the net investment in a foreign operation, whose functional currency differs from the Group's functional currency.

While the Group hedges the interest rate risk in its entirety, the Group hedges the foreign currency risk only the proportional part of the notional amount.

At inception of the hedge relationship, the Group reviews the hedge effectiveness; and periodically reviews the effectiveness in order to confirm that economic relationship between the hedged item and the hedging instrument exists. The requirement that an economic relationship exists means that the hedging instrument and the hedged item have values that generally move in the opposite direction due to the same risk, which is the hedged risk. The Group designates the exposure of hedged item opposite to the exposure of hedging instruments in order to meet economic relationship requirement.

The Group designates hedge relationship at one-on-one ratio between the nominal amount of hedging instrument and to the nominal amount of hedged item.

Hedge ineffectiveness could arise because of differences in the underlying parameters (acquisition date, credit risk or liquidity and others) or other differences between the hedging instrument and the hedged item that the Group accepts in order to achieve a cost-effective hedging relationship.

The Group avoids the cash flow variability of its floating rate debt securities by using interest rate swaps. Both are linked to the same interest rate; however, the paid amount of the floating rate may be set on different dates. Even if the variability of interest rate related cash flows (as a risk factor) is designated as a hedged item, the difference in set-up dates creates a hedge ineffectiveness.

The Group avoids the variability of fair values of its fixed rate debt securities by using interest rate swaps. The calculating method of the number of the dates for paying fixed-rate interest amount can be different between hedging instruments and hedged items. Even if the variability of the fair value due to the benchmark interest rate (as a risk factor) are designated as a hedged item, the difference in calculating method of the number of the dates creates a hedge ineffectiveness.

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#### 3.7.6 Embedded derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if, (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and (c) the hybrid contract contains a host that is not a financial asset and is not designated as at fair value through profit or loss. Gains or losses arising from a change in fair value of an embedded derivative separated from the host contract are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

#### 3.7.7 Day one gains or losses

If the Group uses a valuation technique that incorporates unobservable inputs for the fair value of the OTC derivatives at initial recognition, there may be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the difference is not recognized in profit or loss but deferred and amortized using the straight-line method over the life of the financial instrument. If the fair value is subsequently determined using observable inputs, the remaining deferred amount is recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss or other operating income or expenses.

### 3.8 Property and Equipment

#### 3.8.1 Recognition and measurement

Property and equipment that qualify for recognition as an asset are measured at cost and subsequently carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred. When part of an item of property and equipment has a useful life different from that of the entire asset, it is recognized as a separate asset.

#### 3.8.2 Depreciation

Land is not depreciated, whereas other property and equipment are depreciated using the method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. The depreciable amount of an asset is determined after deducting its residual value.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method and estimated useful life of property and equipment are as follows:

Property and equipment	Depreciation method	Estimated useful life
Buildings	Straight-line	20 ~ 40 years
Leasehold improvements	Declining-balance	4 years
Equipment and vehicles	Declining-balance	4 years

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The residual value, the useful life, and the depreciation method applied to an asset are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

### **3.9 Investment Properties**

#### **3.9.1 Recognition and measurement**

Properties held to earn rentals or for capital appreciation or both are classified as investment properties. Investment properties are measured initially at their cost and subsequently the cost model is used.

#### **3.9.2 Depreciation**

Land is not depreciated, whereas other investment properties are depreciated using the method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. The depreciable amount of an asset is determined after deducting its residual value.

The depreciation method and estimated useful life of investment properties are as follows:

<b>Investment properties</b>	<b>Depreciation method</b>	<b>Estimated useful life</b>
Buildings	Straight-line	40 years

The residual value, the useful life, and the depreciation method applied to an asset are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

### **3.10 Intangible Assets**

Intangible assets are measured initially at cost and subsequently carried at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets, except for goodwill and membership rights, are amortized using the straight-line or declining-balance method with no residual value over their estimated useful life since the assets are available for use.

<b>Intangible assets</b>	<b>Amortization method</b>	<b>Estimated useful life</b>
Industrial property rights	Straight-line	5 years
Software	Straight-line	4 ~ 5 years
Others	Straight-line / Declining-balance	1 ~ 13 years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Where an intangible asset is not being amortized because its useful life is indefinite, the Group carries out a review in each accounting period to confirm whether events and circumstances still support an indefinite useful life assessment. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

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#### 3.10.1 Goodwill

##### 3.10.1.1 Recognition and measurement

Goodwill related to business combinations before January 1, 2010, is stated at its carrying amount, which was recognized under the Group's previous accounting policy, prior to the transition to Korean IFRS.

Goodwill acquired from business combinations after January 1, 2010, is initially measured as the excess of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, the difference is recognized in profit or loss.

For each business combination, the Group decides at the acquisition date whether the non-controlling interests in the acquiree are initially measured at fair value or at the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs incurred to effect a business combination are charged to expenses in the periods in which the costs are incurred and the services are received, except for the costs to issue debt or equity securities.

##### 3.10.1.2 Additional acquisitions of non-controlling interests

Additional acquisitions of non-controlling interests are accounted for as equity transactions. Therefore, no additional goodwill is recognized.

##### 3.10.1.3 Subsequent measurement

Goodwill is not amortized and is stated at cost less accumulated impairment losses. However, goodwill that forms part of the carrying amount of an investment in associates is not separately recognized and an impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment in the associates.

#### 3.10.2 Subsequent expenditures

Subsequent expenditures are capitalized only when they enhance values of the assets. Internally generated intangible assets, such as goodwill and trade name, are not recognized as assets but expensed as incurred.

### **3.11 Impairment of Non-financial Assets**

The Group assesses at the end of each reporting period whether there is any indication that a non-financial asset, except for (a) deferred income tax assets, (b) assets arising from employee benefits and (c) non-current assets (or group of assets to be sold) classified as held for sale, may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. However, irrespective of whether there is any indication of impairment, the Group tests (a) goodwill acquired in a business combination, (b) intangible assets with an indefinite useful life and (c) intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount.

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The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit that are discounted by a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units that is expected to benefit from the synergies of the combination. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in a subsequent period. The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or may have decreased, and an impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

### **3.12 Non-current Assets Held for Sale**

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. A non-current asset (or disposal group) classified as held for sale is measured at the lower of (a) its carrying amount measured in accordance with the applicable Korean IFRS, immediately before the initial classification of the asset (or disposal group) as held for sale and (b) fair value less costs to sell.

A non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale is not depreciated (or amortized).

Impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. Gain is recognized for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized.

### **3.13 Financial Liabilities**

The Group classifies financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

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**3.13.1 Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such at initial recognition. After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. At initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

In relation to securities lending or borrowing transactions, when the Group borrows securities from the Korea Securities Depository and others, these transactions are managed as off-balance sheet items. The borrowed securities are treated as financial liabilities at fair value through profit or loss when they are sold. Changes in fair value at the end of the reporting period and difference between carrying amount at redemption and purchased amount are recognized in profit or loss.

**3.13.2 Other financial liabilities**

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities include deposits, borrowings, debentures, and others. At initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. After initial recognition, other financial liabilities are measured at amortized cost, and its interest expense is recognized, using the effective interest method.

When an asset is sold under repurchase agreement, the Group continues to recognize the asset with the amount sold being accounted for as borrowings. The Group derecognizes a financial liability from the consolidated statement of financial position only when it is extinguished (i.e., when the obligation specified in the contract is discharged, canceled or expires).

**3.14 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Inevitable risks and uncertainties surrounding related events and circumstances are considered in measuring the best estimate of the provisions, and where the effect of the time value of money is material, the amount of provisions is the present value of the expenditures expected to be required to settle the obligation.

Provisions for confirmed and unconfirmed acceptances and guarantees, and unused credit lines of consumer and corporate loans are recognized using a valuation model that applies the credit conversion factor, PD, and LGD.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as provisions.

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**3.15 Financial Guarantee Contracts**

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value and classified as other liabilities and are amortized over the contractual term. After initial recognition, financial guarantee contracts are measured at the higher of:

- The amount determined in accordance with Korean IFRS No.1109 *Financial Instruments* and
- The amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with Korean IFRS No.1115 *Revenue from Contracts with Customers*.

**3.16 Equity Instrument Issued by the Group**

An equity instrument is any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

**3.16.1 Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or the exercise of stock option are deducted from the equity, net of any tax effects.

**3.16.2 Hybrid securities**

The financial instruments can be classified as either financial liabilities or equity in accordance with the terms of the contract. The Group classifies hybrid securities as an equity if the Group has the unconditional right to avoid any contractual obligation to deliver cash or another financial asset in relation to the financial instruments. However, hybrid securities issued by subsidiaries are classified as non-controlling interests, dividends are recognized in the consolidated statement of comprehensive income as profit attributable to non-controlling interests.

**3.16.3 Compound financial instruments**

A compound financial instrument is classified as a financial liability or an equity instrument depending on the substance of the contractual arrangement of such financial instrument. The liability component of the compound financial instrument is measured at fair value of the similar liability without conversion option at initial recognition and subsequently measured at amortized cost using effective interest method until it is extinguished by conversion or matured. Equity component is initially measured at fair value of compound financial instrument in its entirety less fair value of liability component net of tax effect, and it is not remeasured subsequently.

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**3.17 Revenue Recognition**

The Group recognizes revenues in accordance with the following steps determined in accordance with Korean IFRS No.1115 *Revenue from Contracts with Customers*.

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

**3.17.1 Interest income and expense**

Interest income and expense on debt securities at fair value through profit or loss (excluding beneficiary certificates, equity investments, and other debt instruments), loans, financial instruments at amortized cost, and debt securities at fair value through other comprehensive income are recognized in the consolidated statement of comprehensive income using the effective interest method in accordance with Korean IFRS No.1109 *Financial Instruments*. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Group estimates expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all fees and points paid (main components of effective interest rate only) or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to reliably estimate the cash flows and the expected life of a financial instrument, the Group uses the contractual cash flows over the full contractual term of the financial instrument.

Interest income on impaired financial assets is recognized using the interest rate used to discount the expected cash flows for the purpose of measuring the impairment loss. Interest income on debt securities at fair value through profit or loss is also classified as interest income in the consolidated statement of comprehensive income.

**3.17.2 Fee and commission income**

The Group recognizes financial service fees in accordance with the purpose of charging the fees and the accounting standards of the financial instrument related to the fees earned.

**3.17.2.1 Fees that are an integral part of the effective interest of a financial instrument**

Such fees are generally treated as adjustments of effective interest rate. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents, and closing the transaction and origination fees received on issuing financial liabilities at amortized cost. However, fees relating to the creation or acquisition of a financial instrument at fair value through profit or loss are recognized as revenue immediately.



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3.17.2.2 Fees related to performance obligations satisfied over time

If the control of a good or service is transferred over time, the Group recognizes revenue related to performance obligations over the period of performance obligations. Fees charged in return for the services for a certain period of time, such as asset management fees, consignment business fees, etc. are recognized over the period of performance obligations.

3.17.2.3 Fees related to performance obligations satisfied at a point in time

Fees earned at a point in time are recognized as revenue when a customer obtains controls of a promised good or service and the Group satisfies a performance obligation.

Commission on negotiation or participation in negotiation for the third party such as trading stocks or other securities, arranging merger and acquisition of business, is recognized as revenue when the transaction has been completed.

If the Group arranges a syndicated loan but does not participate in the syndicated loan or participates in the syndicated loan with the same effective profit as other participants, a syndication arrangement fee is recognized as revenue at the completion of the syndication service.

3.17.3 Net gains or losses on financial instruments at fair value through profit or loss

Net gains or losses on financial instruments at fair value through profit or loss (including changes in fair value, dividends, and gains or losses from foreign currency translation) include gains or losses on financial instruments as follows:

- Gains or losses relating to financial instruments at fair value through profit or loss (excluding interest income using the effective interest rate method)
- Gains or losses relating to derivative financial instruments for trading (including derivative financial instruments for hedging purpose but do not qualify for hedge accounting)

3.17.4 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income is recognized as net gains or losses on financial instruments at fair value through profit or loss or other operating income depending on the classification of equity securities.

**3.18 Employee Compensation and Benefits**

3.18.1 Post-employment benefits

3.18.1.1 Defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as post-employment benefits for the period.

3.18.1.2 Defined benefit plans

All post-employment benefits, other than defined contribution plans, are classified as defined benefit plans. The amount recognized as a net defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

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The present value of the defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses resulted from changes in actuarial assumptions and experience adjustments are recognized in other comprehensive income.

When the present value of the defined benefit obligation minus the fair value of plan assets results in an asset, it is recognized to the extent of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from the introduction or changes to a defined benefit plan. Such past service cost is immediately recognized as an expense for the period.

#### 3.18.2 Short-term employee benefits

Short-term employee benefits are employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as an expense for the period.

The expected cost of profit-sharing and bonus payments is recognized as liabilities when the Group has a present legal or constructive obligation to make payments as a result of past events, such as service rendered by employees, and a reliable estimate of the obligation can be made.

#### 3.18.3 Share-based payment

The Group provides its executives and employees with stock grants and mileage stock programs. When stock grants are exercised, the Group can either select to distribute shares of KB Financial Group Inc., the Parent Company or compensate in cash based on the share price. When mileage stock is exercised, the Group pays the amount equivalent to share price of KB Financial Group Inc. in cash.

For a share-based payment transaction in which the terms of the arrangement provide the Group with the choice of whether to settle in cash or by issuing equity instruments, the Group accounts for the transaction in accordance with the requirements applying to cash-settled share-based payment transactions because the Group determines that it has a present obligation to settle in cash based on a past practice and a stated policy of settling in cash. Therefore, the Group measures the liability incurred as consideration for the service received at fair value and recognizes related expense and accrued expense over the vesting periods. For mileage stock, the Group accounts for the transaction in accordance with the requirements applying to cash-settled share-based payment transactions, which are recognized as expense and accrued expenses at the time of vesting.

Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss as share-based payments.

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3.18.4 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognizes a liability and expense for termination benefits at the earlier of the following dates; when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring that is within the scope of Korean IFRS No.1037 and involves the payment of termination benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, then the termination benefits are discounted to present value.

**3.19 Income Tax Expense**

Income tax expense comprises current tax expense and deferred income tax expense. Current and deferred income tax are recognized as income or expense and included in profit or loss for the period, except to the extent that the tax arises from (a) a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity and (b) a business combination.

3.19.1 Current income tax

Current income tax is the amount of income tax payable (recoverable) in respect of the taxable profit (tax loss) for a period. A difference between the taxable profit and accounting profit may arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Differences may also arise if there is revenue that is exempt from taxation, or expense that is not deductible in determining taxable profit (loss). Current income tax liabilities for the current and prior periods are measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Group offsets current income tax assets and current income tax liabilities if, and only if, the Group (a) has a legally enforceable right to set off the recognized amounts and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.19.2 Deferred income tax

Deferred income tax is recognized, using the asset-liability method, on temporary differences arising between the tax-based amount of assets and liabilities and their carrying amount in the financial statements. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax assets and liabilities are not recognized if they arise from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting nor taxable profit or loss.

The Group recognizes a deferred income tax liability for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period. The Group reduces the carrying amount of a deferred income tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

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Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets deferred income tax assets and deferred income tax liabilities if, and only if the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

**3.19.3 Uncertain tax positions**

Uncertain tax positions arise from tax treatments applied by the Group which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, such as a claim for rectification, a claim for a refund related to additional tax or a tax investigation by the tax authorities. The Group recognizes its uncertain tax positions in the consolidated financial statements in accordance with Korean IFRS No.1012 and Interpretation of Korean IFRS No.2123. The income tax asset is recognized if a tax refund is probable for taxes levied by the tax authority, and the amount to be paid as a result of the tax investigation and others is recognized as the current tax payable. However, penalty tax and additional refund on tax are regarded as penalty or interest and are accounted for in accordance with Korean IFRS No.1037.

**3.20 Transactions with the Trust Accounts**

The Group accounts for trust assets separately from its own assets in accordance with the Financial Investment Services and Capital Markets Act. The borrowings from trust accounts represent transfer of funds in trust accounts into banking accounts. Such borrowings from trust accounts are recorded as receivables from the banking accounts in the trust accounts and as borrowings from trust accounts in the banking accounts. The Group earns trust fees from the trust accounts for its management of trust assets and operations. The reserves for future profits and losses are set up in the trust accounts for profits and losses related to those trust funds with a guarantee of the principal or of the principal and a certain minimum rate of return in accordance with the relevant laws and regulations applicable to trust operations. The reserves are used to provide for the losses on such trust funds and, if the losses incurred are in excess of the reserves, the excess losses are compensation paid as a loss on trust management in other operating expenses and the trust accounts recognize the corresponding compensation as compensation from banking accounts.

**3.21 Lease**

The Group as a lessor recognizes lease payments from operating leases as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

A lessee is required to recognize a right-of-use asset (lease assets) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured at the present value.

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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 payments that depend on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred by the lessee, and
- An estimate of restoration costs

However, the Group can elect not to apply the requirements of Korean IFRS No.1116 to short-term lease (lease that, at the commencement date, has a lease term of 12 months or less) and leases for which the underlying asset is of low value (for example, underlying leased asset under USD 5,000). The Group applies the exemption of the standard for one time lease of real estate (for training purpose) and leases of low-value assets (underlying assets less than ₩ 5 million or USD 5,000).

The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

For sale and leaseback transactions, the Group applies the requirements of Korean IFRS No.1115 *Revenue from Contracts with Customers*, to determine whether the transfer of an asset is accounted for as a sale of that asset.

### **3.22 Operating Segments**

The Group identifies its operating segments based on internal reports which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

Segment information includes items which are directly attributable and can be allocated to the segment on a reasonable basis.

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**4. Financial Risk Management**

4.1 Summary

4.1.1 Overview of financial risk management policy

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

This note regarding financial risk management provides information about the risks that the Group is exposed to and about its objectives, policies, risk assessment and management procedures, and capital management. Additional quantitative information is disclosed throughout the consolidated financial statements.

The Group's risk management system focuses on efficiently supporting long-term strategy and management decisions of each business group through increased risk transparency, spread of risk management culture, prevention of risk transfer between risk types, and preemptive response to rapidly changing financial environments. Credit risk, market risk, liquidity risk, and operational risk are recognized as the Group's significant risks and measured and managed by quantifying them in the form of internal capital or Value at Risk ("VaR") using statistical methods.

4.1.2 Risk management organization

4.1.2.1 Risk Management Committee

The Risk Management Committee, as the ultimate decision-making body, approves risk-related issues, such as establishing risk management strategies in accordance with the strategic direction determined by the board of directors, determining the affordable level of risk appetite, and reviewing the level of risk and the status of risk management activities.

4.1.2.2 Risk Management Council

The Risk Management Council deliberates on and resolves matters delegated by the Risk Management Committee and discusses the details of risk management of the Group.

4.1.2.3 Risk Management Subcommittees

The Risk Management Subcommittee implements decisions made by the Risk Management Council and makes practical decisions regarding the implementation of risk management policies and procedures.

- Credit Risk Management Subcommittee

The Credit Risk Management Subcommittee conducts deliberation and resolution on new approval of non-standard and compound instruments with embedded credit risks, review of credit risks for new products with credit risks, and establishment of exposure limits by industry.

- Market Risk Management Subcommittee

The Market Risk Management Subcommittee conducts deliberation and resolution on market risk-related matters, such as setting limits on market risk and approving detailed investment standards for new standard, non-standard and compound products.

- Operational Risk Management Subcommittee

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

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#### **- Trust & Fund Customer Asset Risk Management Subcommittee**

The Trust & Fund Customer Asset Risk Management Subcommittee reviews the issues that have a significant effect on the trust & fund customer asset risk management such as setting limits on trust & fund customer assets.

#### **4.1.2.4 Risk Management Group**

The Risk Management Group manages detailed risk management policies, procedures, and business processes.

#### **4.2 Credit Risk**

##### **4.2.1 Overview of credit risk**

Credit risk is the risk of loss from the portfolio of assets held due to the counterparty's default, breach of contract, and deterioration of credit quality. For risk management reporting purposes, the Group considers all factors of credit risk exposure, such as default risk of individual borrowers, country risk, and risk of specific sectors. The Group defines default as the definition applied to the calculation of Capital Adequacy Ratio under the new Basel Accord (Basel III).

##### **4.2.2 Credit risk management**

The Group measures the expected loss and internal capital for the assets subject to credit risk management, including on-balance and off-balance assets, and uses them as management indicators. The Group allocates and manages credit risk internal capital limits.

In addition, to prevent excessive concentration of exposures by borrower and industry, the total exposure limit at the Group level is introduced, applied, and managed to control the credit concentration risk.

All of the Group's loan customers (individuals and corporates) are assigned a credit rating and managed by a comprehensive internal credit evaluation system. For individuals, the credit rating is evaluated by utilizing personal information, income and job information, asset information, and bank transaction information. For corporates, the credit rating is evaluated by analyzing and utilizing financial and non-financial information which measures current and future corporate value and ability to repay the debt. Also, the extent to which corporates have the ability to meet debt obligations is comprehensively considered.

The credit rating, once assigned, serves as the fundamental instrument in the Group's credit risk management, and is applied in a wide range of credit risk management processes, including credit approval, credit limit management, loan pricing, and assessment of allowances for credit losses. For corporates, the Group conducts a regular credit evaluation at least once a year, and the review and supervision departments regularly validate the adequacy of credit ratings to manage credit risks.

In order to establish a credit risk management system, the Group manages credit risk by forming a separate risk management organization. In particular, independently of the Sales Group, the Credit Management & Analysis Group, Retail Customer Group and SME/SOHO Customer Group are in charge of loan policy, loan system, credit rating, credit analysis, follow-up management, and corporate restructuring. The Risk Management Group is responsible for establishing policies on credit risk management, measuring and limiting internal capital of credit risk, setting credit limits, credit review, and verification of credit rating models.

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4.2.3 Maximum exposure to credit risk

The Group's maximum exposures to credit risk without consideration of collateral values in relation to financial instruments other than equity securities as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Financial assets</b>		
Due from financial institutions <sup>1</sup>	22,520,401	17,085,898
Financial assets at fair value through profit or loss:		
Securities measured at fair value through profit or loss	18,513,088	15,707,842
Loans measured at fair value through profit or loss	93,930	38,756
Due from financial institutions measured at fair value through profit or loss	113,622	89,965
Derivatives	2,965,626	4,456,668
Loans measured at amortized cost <sup>1</sup>	361,144,701	327,332,495
Financial investments:		
Securities measured at fair value through other comprehensive income	38,140,906	39,960,675
Securities measured at amortized cost <sup>1</sup>	22,164,594	15,588,413
Loans measured at fair value through other comprehensive income	269,609	234,780
Other financial assets <sup>1</sup>	5,277,227	5,986,686
	<u>471,203,704</u>	<u>426,482,178</u>
<b>Off-balance sheet items <sup>2</sup></b>		
Acceptances and guarantees contracts	10,212,730	8,560,896
Financial guarantee contracts	6,021,250	4,354,919
Commitments	97,135,905	91,738,296
	<u>113,369,885</u>	<u>104,654,111</u>
	<u>584,573,589</u>	<u>531,136,289</u>

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

<sup>2</sup> For details of related provisions, see Note 22.

4.2.4 Credit risk of loans

The Group maintains allowances for loan losses associated with credit risk of loans to manage its credit risk.

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



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4.2.4.1 Credit risk exposure

Credit qualities of loans as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

December 31, 2021						
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non- impaired	Impaired			
<b>Loans measured at amortized cost *</b>						
<b>Corporate</b>						
Grade 1	103,439,876	4,787,901	3,583	-	-	108,231,360
Grade 2	62,433,823	7,488,667	4,321	-	-	69,926,811
Grade 3	4,622,781	2,794,294	2,489	-	-	7,419,564
Grade 4	479,723	1,025,557	7,548	-	-	1,512,828
Grade 5	12,851	351,420	2,082,350	-	-	2,446,621
	<u>170,989,054</u>	<u>16,447,839</u>	<u>2,100,291</u>	<u>-</u>	<u>-</u>	<u>189,537,184</u>
<b>Retail</b>						
Grade 1	157,931,555	4,297,133	10,972	-	-	162,239,660
Grade 2	4,174,715	4,066,176	12,202	-	-	8,253,093
Grade 3	762,603	1,128,603	8,161	-	-	1,899,367
Grade 4	38,566	140,041	3,134	-	-	181,741
Grade 5	494,814	305,052	605,210	-	-	1,405,076
	<u>163,402,253</u>	<u>9,937,005</u>	<u>639,679</u>	<u>-</u>	<u>-</u>	<u>173,978,937</u>
<b>Credit card</b>						
Grade 1	-	-	-	-	-	-
Grade 2	32,376	-	-	-	-	32,376
Grade 3	935	-	-	-	-	935
Grade 4	-	-	-	-	-	-
Grade 5	-	-	22,209	-	-	22,209
	<u>33,311</u>	<u>-</u>	<u>22,209</u>	<u>-</u>	<u>-</u>	<u>55,520</u>
	<u>334,424,618</u>	<u>26,384,844</u>	<u>2,762,179</u>	<u>-</u>	<u>-</u>	<u>363,571,641</u>
<b>Loans measured at fair value through other comprehensive income</b>						
<b>Corporate</b>						
Grade 1	189,872	-	-	-	-	189,872
Grade 2	79,737	-	-	-	-	79,737
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	<u>269,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,609</u>
	<u>269,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,609</u>
	<u>334,694,227</u>	<u>26,384,844</u>	<u>2,762,179</u>	<u>-</u>	<u>-</u>	<u>363,841,250</u>

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(In millions of Korean won)

December 31, 2020						
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non- impaired	Impaired			
<b>Loans measured at amortized cost *</b>						
<b>Corporate</b>						
Grade 1	85,802,797	4,470,806	6,545	-	-	90,280,148
Grade 2	58,494,076	6,777,700	1,119	-	-	65,272,895
Grade 3	2,228,426	2,436,658	3,042	-	-	4,668,126
Grade 4	487,038	1,003,942	7,878	-	-	1,498,858
Grade 5	17,941	384,014	2,101,014	-	-	2,502,969
	<u>147,030,278</u>	<u>15,073,120</u>	<u>2,119,598</u>	<u>-</u>	<u>-</u>	<u>164,222,996</u>
<b>Retail</b>						
Grade 1	151,410,177	3,439,344	5,987	-	-	154,855,508
Grade 2	3,947,198	3,913,432	6,160	-	-	7,866,790
Grade 3	230,361	1,157,224	6,971	-	-	1,394,556
Grade 4	19,077	124,562	3,269	-	-	146,908
Grade 5	25,369	400,181	546,039	-	-	971,589
	<u>155,632,182</u>	<u>9,034,743</u>	<u>568,426</u>	<u>-</u>	<u>-</u>	<u>165,235,351</u>
<b>Credit card</b>						
Grade 1	-	-	-	-	-	-
Grade 2	37,053	-	-	-	-	37,053
Grade 3	1,467	-	-	-	-	1,467
Grade 4	-	-	-	-	-	-
Grade 5	-	-	22,439	-	-	22,439
	<u>38,520</u>	<u>-</u>	<u>22,439</u>	<u>-</u>	<u>-</u>	<u>60,959</u>
	<u>302,700,980</u>	<u>24,107,863</u>	<u>2,710,463</u>	<u>-</u>	<u>-</u>	<u>329,519,306</u>
<b>Loans measured at fair value through other comprehensive income</b>						
<b>Corporate</b>						
Grade 1	176,840	-	-	-	-	176,840
Grade 2	57,940	-	-	-	-	57,940
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	<u>234,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,780</u>
	<u>234,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,780</u>
	<u>302,935,760</u>	<u>24,107,863</u>	<u>2,710,463</u>	<u>-</u>	<u>-</u>	<u>329,754,086</u>

\* Before netting of allowance

Credit qualities of loans graded according to internal credit ratings as of December 31, 2021 and 2020, are as follows:

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

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4.2.4.2 Credit risk mitigation by collateral

Quantification of the extent to which collateral and other credit enhancements mitigate credit risk of loans as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021					
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non- impaired	Impaired			
Guarantees	89,847,133	6,586,809	391,042	-	-	96,824,984
Deposits and savings	1,606,882	98,380	75,674	-	-	1,780,936
Property and equipment	4,364,540	327,722	279,961	-	-	4,972,223
Real estate	177,948,425	13,477,437	1,953,759	-	-	193,379,621
	<u>273,766,980</u>	<u>20,490,348</u>	<u>2,700,436</u>	<u>-</u>	<u>-</u>	<u>296,957,764</u>

(In millions of Korean won)

	December 31, 2020					
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non- impaired	Impaired			
Guarantees	78,510,868	5,708,138	184,422	-	-	84,403,428
Deposits and savings	1,424,757	149,745	64,355	-	-	1,638,857
Property and equipment	3,883,931	471,313	71,021	-	-	4,426,265
Real estate	166,812,667	12,453,807	1,792,642	-	-	181,059,116
	<u>250,632,223</u>	<u>18,783,003</u>	<u>2,112,440</u>	<u>-</u>	<u>-</u>	<u>271,527,666</u>

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4.2.5 Credit risk of securities

Credit qualities of securities exposed to credit risk other than equity securities among financial investments as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

December 31, 2021						
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non- impaired	Impaired			
<b>Securities measured at amortized cost *</b>						
Grade 1	21,219,056	-	-	-	-	21,219,056
Grade 2	935,607	-	-	-	-	935,607
Grade 3	5,588	7,641	-	-	-	13,229
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	<u>22,160,251</u>	<u>7,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,167,892</u>
<b>Securities measured at fair value through other comprehensive income</b>						
Grade 1	35,690,767	-	-	-	-	35,690,767
Grade 2	2,377,924	-	-	-	-	2,377,924
Grade 3	29,108	3,973	-	-	-	33,081
Grade 4	39,134	-	-	-	-	39,134
Grade 5	-	-	-	-	-	-
	<u>38,136,933</u>	<u>3,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,140,906</u>
	<u>60,297,184</u>	<u>11,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,308,798</u>

(In millions of Korean won)

December 31, 2020						
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Not applying expected credit losses	Total
		Non- impaired	Impaired			
<b>Securities measured at amortized cost *</b>						
Grade 1	15,076,443	-	-	-	-	15,076,443
Grade 2	468,773	-	-	-	-	468,773
Grade 3	38,454	7,061	-	-	-	45,515
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	<u>15,583,670</u>	<u>7,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,590,731</u>
<b>Securities measured at fair value through other comprehensive income</b>						
Grade 1	38,289,525	-	-	-	-	38,289,525
Grade 2	1,584,293	-	-	-	-	1,584,293
Grade 3	79,336	-	-	-	-	79,336
Grade 4	7,521	-	-	-	-	7,521
Grade 5	-	-	-	-	-	-
	<u>39,960,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,960,675</u>
	<u>55,544,345</u>	<u>7,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,551,406</u>

\* Before netting of allowance

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Credit qualities of securities other than equity securities, according to the credit ratings by external credit rating agencies as of December 31, 2021 and 2020, are as follows:

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

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

4.2.6 Credit risk of due from financial institutions

Credit qualities of due from financial institutions as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

December 31, 2021					
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Total
		Non-impaired	Impaired		
Due from financial institutions measured at amortized cost *					
Grade 1	20,705,356	-	-	-	20,705,356
Grade 2	1,305,500	-	-	-	1,305,500
Grade 3	61,177	-	-	-	61,177
Grade 4	439,511	-	-	-	439,511
Grade 5	10,984	-	-	-	10,984
	22,522,528	-	-	-	22,522,528

(In millions of Korean won)

December 31, 2020					
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach	Total
		Non-impaired	Impaired		
Due from financial institutions measured at amortized cost *					
Grade 1	15,802,294	-	-	-	15,802,294
Grade 2	334,207	-	-	-	334,207
Grade 3	445,732	13,099	-	-	458,831
Grade 4	479,143	-	-	-	479,143
Grade 5	13,520	-	282	-	13,802
	17,074,896	13,099	282	-	17,088,277

\* Before netting of allowance

The classification criteria of the credit qualities of due from financial institutions as of December 31, 2021 and 2020, are the same as the criteria for securities other than equity securities.

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4.2.7 Credit risk mitigation of derivative financial instruments

Quantification of the extent to which collateral mitigates credit risk of derivative financial instruments as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Deposits, savings, securities, and others	424,731	1,264,017

4.2.8 Credit risk concentration analysis

4.2.8.1 Classifications of loans by country as of December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>December 31, 2021</b>						<b>Carrying amount</b>
	<b>Retail</b>	<b>Corporate *</b>	<b>Credit card</b>	<b>Total</b>	<b>%</b>	<b>Allowances</b>	
Korea	170,760,822	168,733,575	-	339,494,397	93.28	(1,459,209)	338,035,188
Japan	86	1,082,456	-	1,082,542	0.30	(2,332)	1,080,210
United States	-	3,313,100	-	3,313,100	0.91	(25,289)	3,287,811
China	34,982	6,743,756	-	6,778,738	1.86	(34,315)	6,744,423
Cambodia	1,748,349	3,115,992	-	4,864,341	1.34	(66,155)	4,798,186
Indonesia	1,249,822	3,710,586	55,520	5,015,928	1.38	(821,707)	4,194,221
Others	184,876	3,201,258	-	3,386,134	0.93	(17,933)	3,368,201
	<u>173,978,937</u>	<u>189,900,723</u>	<u>55,520</u>	<u>363,935,180</u>	<u>100.00</u>	<u>(2,426,940)</u>	<u>361,508,240</u>

*(In millions of Korean won)*

	<b>December 31, 2020</b>						<b>Carrying amount</b>
	<b>Retail</b>	<b>Corporate *</b>	<b>Credit card</b>	<b>Total</b>	<b>%</b>	<b>Allowances</b>	
Korea	162,521,943	149,253,281	-	311,775,224	94.55	(1,362,777)	310,412,447
Japan	94	960,604	-	960,698	0.29	(1,258)	959,440
United States	-	1,690,540	-	1,690,540	0.51	(19,011)	1,671,529
China	-	4,518,737	-	4,518,737	1.37	(20,485)	4,498,252
Cambodia	1,302,850	2,272,777	-	3,575,627	1.08	(84,713)	3,490,914
Indonesia	1,221,257	3,636,434	60,959	4,918,650	1.49	(689,408)	4,229,242
Others	189,207	2,164,159	-	2,353,366	0.71	(9,159)	2,344,207
	<u>165,235,351</u>	<u>164,496,532</u>	<u>60,959</u>	<u>329,792,842</u>	<u>100.00</u>	<u>(2,186,811)</u>	<u>327,606,031</u>

\* Expected credit losses of loans measured at fair value through other comprehensive income as of December 31, 2021 and 2020, are ₩ 675 million and ₩ 395 million, respectively.

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4.2.8.2 Classifications of corporate loans by industry as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Loans *</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Financial institutions	18,037,439	9.50	(13,657)	18,023,782
Manufacturing	48,190,687	25.38	(502,209)	47,688,478
Service	80,868,551	42.58	(387,437)	80,481,114
Wholesale and retail	26,108,596	13.75	(246,687)	25,861,909
Construction	4,387,199	2.31	(202,627)	4,184,572
Public sector	1,832,305	0.96	(94,668)	1,737,637
Others	10,475,946	5.52	(289,934)	10,186,012
	<b>189,900,723</b>	<b>100.00</b>	<b>(1,737,219)</b>	<b>188,163,504</b>

(In millions of Korean won)

	<b>December 31, 2020</b>			
	<b>Loans *</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Financial institutions	12,807,603	7.78	(7,802)	12,799,801
Manufacturing	45,229,743	27.49	(467,605)	44,762,138
Service	71,466,009	43.45	(349,419)	71,116,590
Wholesale and retail	22,414,994	13.63	(234,360)	22,180,634
Construction	3,609,505	2.19	(164,845)	3,444,660
Public sector	1,358,422	0.83	(74,717)	1,283,705
Others	7,610,256	4.63	(266,134)	7,344,122
	<b>164,496,532</b>	<b>100.00</b>	<b>(1,564,882)</b>	<b>162,931,650</b>

\* Expected credit losses of loans measured at fair value through other comprehensive income as of December 31, 2021 and 2020, are ₩ 675 million and ₩ 395 million, respectively.

4.2.8.3 Classifications of retail loans and credit card receivables as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Loans</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Housing loan	93,249,089	53.58	(68,753)	93,180,336
General loan	80,729,848	46.39	(600,372)	80,129,476
Credit card	55,520	0.03	(20,596)	34,924
	<b>174,034,457</b>	<b>100.00</b>	<b>(689,721)</b>	<b>173,344,736</b>

(In millions of Korean won)

	<b>December 31, 2020</b>			
	<b>Loans</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Housing loan	86,848,079	52.54	(59,059)	86,789,020
General loan	78,387,272	47.42	(559,772)	77,827,500
Credit card	60,959	0.04	(3,098)	57,861
	<b>165,296,310</b>	<b>100.00</b>	<b>(621,929)</b>	<b>164,674,381</b>

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4.2.8.4 Classifications of domestic mortgage loans as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Loans *</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Group1	16,780,623	17.13	(10,465)	16,770,158
Group2	39,583,150	40.41	(10,375)	39,572,775
Group3	31,772,074	32.43	(9,957)	31,762,117
Group4	9,677,419	9.88	(6,517)	9,670,902
Group5	140,182	0.14	(273)	139,909
Group6	10,328	0.01	(87)	10,241
	<b>97,963,776</b>	<b>100.00</b>	<b>(37,674)</b>	<b>97,926,102</b>

(In millions of Korean won)

	<b>December 31, 2020</b>			
	<b>Loans *</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Group1	13,721,317	14.22	(8,252)	13,713,065
Group2	26,749,535	27.74	(6,001)	26,743,534
Group3	35,831,558	37.16	(9,458)	35,822,100
Group4	19,706,942	20.44	(13,319)	19,693,623
Group5	401,295	0.42	(1,413)	399,882
Group6	15,962	0.02	(147)	15,815
	<b>96,426,609</b>	<b>100.00</b>	<b>(38,590)</b>	<b>96,388,019</b>

\* Retail loans for general purpose with the real estate as collateral are included.

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

\* LTV: Loan to Value ratio



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4.2.8.5 Classifications of due from financial institutions, securities other than equity securities, and derivative financial assets by industry as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021			
	Amount	%	Allowances	Carrying amount
<b>Due from financial institutions measured at amortized cost</b>				
Finance and insurance	22,522,528	100.00	(2,127)	22,520,401
	22,522,528	100.00	(2,127)	22,520,401
<b>Securities measured at fair value through profit or loss</b>				
Government and government funded institutions	3,367,648	18.19	-	3,367,648
Finance and insurance <sup>1</sup>	12,336,217	66.64	-	12,336,217
Others	2,809,223	15.17	-	2,809,223
	18,513,088	100.00	-	18,513,088
<b>Derivative financial assets</b>				
Government and government funded institutions	6,985	0.24	-	6,985
Finance and insurance <sup>1</sup>	2,810,005	94.75	-	2,810,005
Others	148,636	5.01	-	148,636
	2,965,626	100.00	-	2,965,626
<b>Securities measured at fair value through other comprehensive income <sup>2</sup></b>				
Government and government funded institutions	13,553,504	35.54	-	13,553,504
Finance and insurance	19,463,563	51.03	-	19,463,563
Others	5,123,839	13.43	-	5,123,839
	38,140,906	100.00	-	38,140,906
<b>Securities measured at amortized cost</b>				
Government and government funded institutions	12,402,272	55.95	-	12,402,272
Finance and insurance	9,552,417	43.09	(3,075)	9,549,342
Others	213,203	0.96	(223)	212,980
	22,167,892	100.00	(3,298)	22,164,594
	104,310,040		(5,425)	104,304,615

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	December 31, 2020			
	Amount	%	Allowances	Carrying amount
<b>Due from financial institutions measured at amortized cost</b>				
Finance and insurance	17,088,277	100.00	(2,379)	17,085,898
	17,088,277	100.00	(2,379)	17,085,898
<b>Securities measured at fair value through profit or loss</b>				
Government and government funded institutions	3,856,785	24.55	-	3,856,785
Finance and insurance <sup>1</sup>	10,382,964	66.10	-	10,382,964
Others	1,468,093	9.35	-	1,468,093
	15,707,842	100.00	-	15,707,842
<b>Derivative financial assets</b>				
Government and government funded institutions	44,670	1.00	-	44,670
Finance and insurance <sup>1</sup>	3,829,897	85.94	-	3,829,897
Others	582,101	13.06	-	582,101
	4,456,668	100.00	-	4,456,668
<b>Securities measured at fair value through other comprehensive income <sup>2</sup></b>				
Government and government funded institutions	14,625,964	36.60	-	14,625,964
Finance and insurance	21,175,736	52.99	-	21,175,736
Others	4,158,975	10.41	-	4,158,975
	39,960,675	100.00	-	39,960,675
<b>Securities measured at amortized cost</b>				
Government and government funded institutions	5,162,860	33.11	-	5,162,860
Finance and insurance	10,378,899	66.57	(2,300)	10,376,599
Others	48,972	0.32	(18)	48,954
	15,590,731	100.00	(2,318)	15,588,413
	92,804,193		(4,697)	92,799,496

<sup>1</sup> Collective investment securities (including transactions with collective investment schemes) are classified as finance and insurance.

<sup>2</sup> Expected credit losses of securities measured at fair value through other comprehensive income as of December 31, 2021 and 2020, are ₩ 8,223 million and ₩ 4,312 million, respectively.

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4.2.8.6 Classifications of due from financial institutions, securities other than equity securities, and derivative financial assets by country as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Amount</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
<b>Due from financial institutions measured at amortized cost</b>				
Korea	16,666,513	74.00	-	16,666,513
United States	2,381,704	10.57	(39)	2,381,665
Others	3,474,311	15.43	(2,088)	3,472,223
	<u>22,522,528</u>	<u>100.00</u>	<u>(2,127)</u>	<u>22,520,401</u>
<b>Securities measured at fair value through profit or loss</b>				
Korea	16,289,547	87.99	-	16,289,547
United States	1,246,236	6.73	-	1,246,236
Others	977,305	5.28	-	977,305
	<u>18,513,088</u>	<u>100.00</u>	<u>-</u>	<u>18,513,088</u>
<b>Derivative financial assets</b>				
Korea	1,060,073	35.75	-	1,060,073
United States	707,545	23.86	-	707,545
France	370,787	12.50	-	370,787
Others	827,221	27.89	-	827,221
	<u>2,965,626</u>	<u>100.00</u>	<u>-</u>	<u>2,965,626</u>
<b>Securities measured at fair value through other comprehensive income *</b>				
Korea	34,298,370	89.93	-	34,298,370
United States	556,810	1.46	-	556,810
Others	3,285,726	8.61	-	3,285,726
	<u>38,140,906</u>	<u>100.00</u>	<u>-</u>	<u>38,140,906</u>
<b>Securities measured at amortized cost</b>				
Korea	21,250,543	95.86	(2,803)	21,247,740
United States	76,812	0.35	(106)	76,706
United Kingdom	157,558	0.71	(141)	157,417
Others	682,979	3.08	(248)	682,731
	<u>22,167,892</u>	<u>100.00</u>	<u>(3,298)</u>	<u>22,164,594</u>
	<u>104,310,040</u>		<u>(5,425)</u>	<u>104,304,615</u>

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	December 31, 2020			
	Amount	%	Allowances	Carrying amount
<b>Due from financial institutions measured at amortized cost</b>				
Korea	12,131,470	70.99	-	12,131,470
United States	1,952,700	11.43	(282)	1,952,418
Others	3,004,107	17.58	(2,097)	3,002,010
	<u>17,088,277</u>	<u>100.00</u>	<u>(2,379)</u>	<u>17,085,898</u>
<b>Securities measured at fair value through profit or loss</b>				
Korea	13,886,018	88.40	-	13,886,018
United States	1,132,332	7.21	-	1,132,332
Others	689,492	4.39	-	689,492
	<u>15,707,842</u>	<u>100.00</u>	<u>-</u>	<u>15,707,842</u>
<b>Derivative financial assets</b>				
Korea	2,120,424	47.58	-	2,120,424
United States	612,878	13.75	-	612,878
France	399,942	8.97	-	399,942
Others	1,323,424	29.70	-	1,323,424
	<u>4,456,668</u>	<u>100.00</u>	<u>-</u>	<u>4,456,668</u>
<b>Securities measured at fair value through other comprehensive income *</b>				
Korea	37,158,763	92.99	-	37,158,763
United States	223,750	0.56	-	223,750
Others	2,578,162	6.45	-	2,578,162
	<u>39,960,675</u>	<u>100.00</u>	<u>-</u>	<u>39,960,675</u>
<b>Securities measured at amortized cost</b>				
Korea	14,757,644	94.66	(2,015)	14,755,629
United States	5,473	0.04	(4)	5,469
United Kingdom	272,511	1.75	(103)	272,408
Others	555,103	3.55	(196)	554,907
	<u>15,590,731</u>	<u>100.00</u>	<u>(2,318)</u>	<u>15,588,413</u>
	<u>92,804,193</u>		<u>(4,697)</u>	<u>92,799,496</u>

\* Expected credit loss of securities measured at fair value through other comprehensive income as of December 31, 2021 and 2020, are ₩ 8,223 million and ₩ 4,312 million, respectively.

Due from financial institutions, financial instruments at fair value through profit or loss linked to gold price, and derivative financial instruments are mostly related to the finance and insurance industry with high credit ratings.

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4.3 Liquidity Risk

4.3.1 Overview of liquidity risk

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

4.3.2 Liquidity risk management and indicator

The liquidity risk is managed by comprehensive risk management policies and Asset Liability Management ("ALM") risk management guidelines set forth in these policies that apply to all risk management policies and procedures that may arise throughout the overall business of the Group.

The Group establishes a liquidity risk management strategy, including objectives of liquidity risk management, management policies, and internal control systems, and obtains a resolution from the Risk Management Committee. The Risk Management Committee establishes the Risk Management Council for efficient risk management to supervise the establishment and implementation of policies according to risk management strategies.

The Group calculates and manages Liquidity Coverage Ratio ("LCR"), Net Stable Funding Ratio ("NSFR"), liquidity ratio, maturity mismatch ratio and liquidity stress testing result for all transactions and off-balance transactions, that affect the cash flows in Korean won and foreign currency funds raised and operated for the management of liquidity risks and periodically reports them to the Risk Management Council and the Risk Management Committee.

4.3.3 Analysis of remaining contractual maturity of financial liabilities

The cash flows disclosed in the maturity analysis are undiscounted contractual amounts including principal and future interest and payments; as such, amounts in the table below do not match with those in the consolidated statements of financial position which are based on discounted cash flows. The future interest payments of floating-rate liabilities are calculated on the assumption that the current interest rate is the same until maturity.

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4.3.3.1 Remaining contractual maturity of financial liabilities other than derivatives held for cash flow hedge, and off-balance sheet items as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		December 31, 2021					
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial liabilities</b>							
Financial liabilities at fair value through profit or loss <sup>1</sup>	112,698	-	-	-	-	-	112,698
Derivatives held for trading <sup>1</sup>	2,706,941	-	-	-	-	-	2,706,941
Derivatives held for hedging <sup>2</sup>	-	2,291	5,996	6,589	15,213	1,423	31,512
Deposits <sup>3</sup>	197,481,610	16,451,640	30,892,560	109,842,440	9,940,768	1,412,235	366,021,253
Borrowings	55,250	9,790,484	4,454,109	10,242,437	7,335,764	901,063	32,779,107
Debentures	14,528	1,163,009	3,233,191	12,576,806	9,468,210	4,769,756	31,225,500
Lease liabilities	139	15,672	29,838	113,617	215,641	18,616	393,523
Other financial liabilities	-	16,929,504	1,486	119,647	47,631	-	17,098,268
	<u>200,371,166</u>	<u>44,352,600</u>	<u>38,617,180</u>	<u>132,901,536</u>	<u>27,023,227</u>	<u>7,103,093</u>	<u>450,368,802</u>
<b>Off-balance sheet items</b>							
Commitments <sup>5</sup>	97,135,905	-	-	-	-	-	97,135,905
Acceptances and guarantees contracts	10,212,730	-	-	-	-	-	10,212,730
Financial guarantee contracts <sup>6</sup>	6,021,250	-	-	-	-	-	6,021,250
	<u>113,369,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,369,885</u>

(In millions of Korean won)

		December 31, 2020					
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial liabilities</b>							
Financial liabilities at fair value through profit or loss <sup>1</sup>	141,277	-	-	-	-	-	141,277
Derivatives held for trading <sup>1</sup>	4,215,097	-	-	-	-	-	4,215,097
Derivatives held for hedging <sup>2</sup>	-	2,807	3,556	14,545	32,981	109	53,998
Deposits <sup>3</sup>	175,037,700	17,146,967	28,299,527	98,963,384	11,965,747	1,825,797	333,239,122
Borrowings	47,502	8,899,500	3,586,809	7,380,706	6,360,442	836,792	27,111,751
Debentures	17,783	1,184,565	4,136,912	7,550,002	11,299,725	4,038,300	28,227,287
Lease liabilities	205	16,362	29,955	111,734	214,008	27,970	400,234
Other financial liabilities <sup>4</sup>	-	13,611,041	1,075	124,707	50,993	1,060	13,788,876
	<u>179,459,564</u>	<u>40,861,242</u>	<u>36,057,834</u>	<u>114,145,078</u>	<u>29,923,896</u>	<u>6,730,028</u>	<u>407,177,642</u>
<b>Off-balance sheet items</b>							
Commitments <sup>5</sup>	91,738,296	-	-	-	-	-	91,738,296
Acceptances and guarantees contracts	8,560,896	-	-	-	-	-	8,560,896
Financial guarantee contracts <sup>6</sup>	4,354,919	-	-	-	-	-	4,354,919
	<u>104,654,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,654,111</u>

<sup>1</sup> Financial liabilities at fair value through profit or loss and derivatives held for trading are not managed by contractual maturity because they are expected to be traded or redeemed before maturity. Therefore, the carrying amounts of those financial instruments are included in the 'On demand' category.

<sup>2</sup> Cash flows of derivative instruments held for hedging are shown at net amount of cash inflows and outflows by remaining contractual maturity.

<sup>3</sup> Deposits that are contractually repayable on demand or on short notice are included in the 'On demand' category.

<sup>4</sup> Other financial liabilities of ₩ 380,447 million from shareholders' agreement related to business combination as of December 31, 2020, are not managed by contractual maturity.

<sup>5</sup> Unused lines of credit within commitments are included in the 'On demand' category because payments can be requested at any time.

<sup>6</sup> Cash flows under financial guarantee contracts are classified based on the earliest period that the contract can be executed.

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4.3.3.2 Contractual cash flows of derivatives held for cash flow hedge as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash flow to be received of net-settled derivatives	601	427	2,989	-	-	4,017
Cash flow to be paid of net-settled derivatives	313	2,437	3,238	110	-	6,098

(In millions of Korean won)

	December 31, 2020					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash flow to be received of net-settled derivatives	69	91	350	30	-	540
Cash flow to be paid of net-settled derivatives	124	3,673	7,406	4,043	-	15,246

#### 4.4 Market Risk

##### 4.4.1 Concept

Market risk refers to risks that can result in losses due to changes in market factors such as interest rate, stock price, and foreign exchange rate, etc., which arise from securities, derivatives, and others. The most significant risks associated with trading positions are interest rate risk, currency risk, and additional risks include stock price risk. The non-trading position is also exposed to interest rate risk. The Group manages the market risks by dividing them into those arising from the trading position and those arising from the non-trading position.

##### 4.4.2 Risk management

The Group sets and monitors internal capital limits for market risk and interest rate risk to manage the risks of trading and non-trading positions. In order to manage market risk efficiently, the Group maintains risk management systems and procedures such as trading policies and procedures, market risk management guidelines for trading positions, and ALM risk management guidelines for non-trading positions. The entire process is carried out through the approval by the Risk Management Council and the Risk Management Committee of the Group.

The Group's Risk Management Council establishes and enforces overall market risk management policies for market risk management and decides to establish position limits, loss limits, VaR limits, and approves non-standard new products. In addition, the Market Risk Management Subcommittee, chaired by Chief Risk Officer ("CRO"), is a practical decision-making body for market risk management and determines position limits, loss limits, VaR limits, sensitivity limits, and scenario loss limits for each department of the business group.

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The Asset-Liability Management Committee ("ALCO") determines interest rate and commission operating standards and ALM operation policies and enacts and revises relevant guidelines. The Risk Management Council monitors the establishment and enforcement of ALM risk management policies and enacts and revises ALM risk management guidelines. Interest rate risk limits are set based on future asset and liability positions and expected interest rate volatility, which reflect annual business plans. The ALM Department and the Risk Management Department regularly measure and monitor interest rate risk and report the status and limit of interest rate risk including changes in Economic Value of Equity (" $\Delta$ EVE"), changes in Net Interest Income (" $\Delta$ NII"), and duration gap to the ALCO and the Risk Management Council on a monthly basis, and to the Risk Management Committee on a quarterly basis. To ensure the adequacy of interest rate risk and liquidity risk management, the Risk Management Department assigns the limits, monitors and reviews the procedures and tasks of ALM operations conducted by the ALM department, and reports related matters to the management independently.

The Group is closely monitoring the outputs of various industry groups and markets that manage the transition to the new interest rate benchmark, including announcements by LIBOR regulation authority and various consultative bodies related to the transition to alternative interest rate. In response to these announcements, the Group has completed most of the transition and replacement plans according to LIBOR transition programs and plans consisting of major business areas such as finance, accounting, tax, legal, IT, and risk. The program is under the control of the CFO and related matters are reported to the board of directors and consultative bodies with senior management as members. The Group continues its efforts as a market participant to actively express opinions so that the index interest rate benchmark reform can be carried out in the direction of minimizing the financial and non-financial impacts and operational risks on the Group and minimizing confusion among stakeholders.

#### **4.4.3 Trading position**

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

The trading position, which is subject to market risk management, includes interest rate position and stock position held for short-term trading profit. The Group also includes and manages all foreign currency positions in our trading positions. The trading position subject to market risk management is the trading position defined in "Trading Policy and Guidelines" and the basic requirements for the trading position are as follows:

- The target position has no restrictions on the sale, and the daily fair value assessment should be made, and the embedded significant risk can be hedged in the market.
- The trading position classification criteria should be clearly defined in the Trading Policy and Guidelines, and the trading position should be managed by a separate trading department.
- The target position must be operated according to the documented trading strategy and the management of position limit must be carried out.
- The specialized dealer or operating department shall have the authority to execute the transaction without prior approval from the Risk Management Department, etc. within the predetermined limits of the target position.
- The target positions should be periodically reported to management for risk management of the Group.

##### **4.4.3.2 Observation method of market risk arising from trading positions**

The Group measures market risk by calculating VaR through the market risk management system for all trading positions. Generally, the Group manages market risk arising from trading positions at the portfolio level. In addition, the Group controls and manages the risk of derivative financial instrument transactions in accordance with the Financial Supervisory Service regulations and guidelines.



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4.4.3.3 VaR

(a) VaR

The Group uses the risk-based valuation method (VaR) to measure the market risk of the trading position.

The Group uses the 10-day VaR, which represents the maximum amount of possible loss of 10 business days based on the historical simulation model of the full valuation method. The distribution of value changes in the portfolio is estimated based on data from the past 250 business days, and 10-day VaR is calculated by the difference between the value of the portfolio at a 99% confidence level of distribution of value changes in the portfolio and the current market value.

VaR is a commonly used market risk measurement technique. However, this approach has some limitations. VaR estimates possible losses under a certain confidence level based on historical market change data. However, since past market changes cannot reflect all future conditions and circumstances, the timing and magnitude of actual losses may vary depending on assumptions in the calculation process. If one day or ten days of the holding period which is generally used for the normal period of liquidating the position, is not sufficient or too long, the VaR result may underestimate or overestimate the potential loss.

When the Group measures market risk for trading position, it uses an internal model (VaR) for general risk and a standard method for individual risks. Standard method is used if the internal model is not authorized for certain market risk. Therefore, disclosed market risk VaR does not reflect the market risk for individual risks and for some positions.

(b) Back-Testing

To verify the appropriateness of the VaR model, back-testing is performed by comparing actual and hypothetical gains and losses with the VaR calculation results.

(c) Stress Testing

The Group carries out stress testing of the trading and available-for-sale portfolio to reflect changes in individual risk factors such as interest rate, stock price, foreign exchange rate, and implied volatility of options that have a significant impact on portfolio value in a crisis. The Group carries out stress testing through historical and hypothetical scenarios. This stress testing is carried out at least once a quarter.

VaR at a 99% confidence level of interest rate risk, stock price risk, and currency risk for trading positions with a ten-day holding period, excluding Stressed VaR, for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			December 31, 2021
	Average	Minimum	Maximum	
Interest rate risk	20,051	6,372	55,670	16,534
Stock price risk	9,067	4,537	24,824	5,513
Currency risk	27,886	17,820	49,264	21,522
Diversification effect				(13,039)
Total VaR	40,915	15,986	115,347	30,530

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	2020			December 31, 2020
	Average	Minimum	Maximum	
Interest rate risk	59,147	9,588	105,983	50,795
Stock price risk	15,379	3,787	24,821	24,821
Currency risk	36,281	5,302	67,766	49,338
Diversification effect				(7,320)
Total VaR	105,428	14,225	158,798	117,634

The required equity capital using the standard method related to the positions which are not measured by VaR as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021	December 31, 2020
Interest rate risk	25,432	40,290
Stock price risk	6	7,088
Currency risk	46,173	23,938
	71,611	71,316

#### 4.4.3.4 Details of risk factors

##### (a) Interest rate risk

Interest rate risk for trading positions usually arises from debt securities denominated in Korean won. The Group's trading strategy is to gain short-term trading gains from interest rate fluctuations. The Group manages interest rate risk associated with trading portfolios using VaR and sensitivity analysis (Price Value of a Basis Point: PVBP).

##### (b) Stock price risk

Stock price risk arises mainly from stock positions held by principal guaranteed trust and derivatives linked to stocks positions in the Capital Markets Department. This stock price risk is managed through VaR, sensitivity limits, and others.

##### (c) Currency risk

Currency risk arises from holding assets and liabilities which are denominated in foreign currency, and currency-related derivatives. Most of the net foreign currency exposures occur in the US dollars and the Chinese Yuan. The Group also manages net foreign exchange exposures across trading and non-trading portfolios by setting a net foreign currency exposure limit at the same time setting a loss limit.

#### 4.4.4 Non-trading position (Interest Rate Risk of Banking Book ("IRRBB"))

##### 4.4.4.1 Definition of IRRBB

IRRBB is a change in equity and earnings due to the changes in value of interest-sensitive assets and liabilities, etc., and is measured by  $\Delta$ EVE and  $\Delta$ NIIL.

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4.4.4.2 The Bank's overall interest rate risk management and mitigation strategy

The Risk Management Committee approves policies, procedures and limits for managing interest rate risk, and the management department regularly reports on interest rate risk levels of  $\Delta$ EVE and  $\Delta$ NII against the set limit, changes in market conditions, and others. In order to measure the sensitivity of the economic value and earnings to changes in interest rates, the Bank calculates monthly interest rate gap and duration gap for assets and liabilities. In addition, the management department conducts an interest rate risk crisis analysis at least once a quarter assuming abnormal interest rate fluctuations and reports the results to the Risk Management Council. Independent internal and external audit department regularly check the process of identifying, measuring and monitoring interest rate risk. The interest rate risk model adequacy test is carried out regularly at least once a year by the verification department independent of the management department.

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

The Bank separately calculates  $\Delta$ EVE for internal management of interest rate risk, assuming a historical-simulation based on interest rate volatility during the past financial crisis (FY2008-FY2009), distribution of assets/liabilities portfolio, and 27 interest rate gaps considering management strategy.

4.4.4.4 The Bank's interest rate risk hedging methodology and related accounting

The Bank hedges interest rate risk through back-to-back interest rate swap transactions, which are the same as interest payment cash flows. The Bank officially documents and manages the risk management strategy for hedge accounting, risk management objectives, hedging relationship, and assessment method for hedge effectiveness.

4.4.4.5 Main assumptions used for calculating  $\Delta$ EVE,  $\Delta$ NII

The Bank calculates interest rate risk, including all cash flow of interest-sensitive assets and liabilities, and off-balance sheet items in the banking book.  $\Delta$ EVE assumes a run-off balance sheet where the existing bank account positions are amortized and not replaced by new businesses. In addition, the contractual interest rate, including commercial margins and other spread components, is applied to generate cash flows. When discounting cash flow,  $\Delta$ EVE is calculated by applying risk-free interest rate that do not include commercial margins and other spread components.

$\Delta$ NII assumes a constant balance sheet where maturing or repricing cash flows during the target management period are replaced by new cash flows with identical features. The interest rate risk is calculated for the interest rate shock scenario by adding up only if the risk is a loss for each currency. After classifying into retail/transactional, retail/non-transactional, and wholesale according to customers and regular transactions, the average repricing maturity of non-maturity deposits is determined by taking into account proportion of core deposits and cap on average maturity of core deposits for each category. The average repricing maturity of non-maturity deposits is 2.5 years for core deposits, 1 day for non-core deposits, and the longest repricing maturity is five years. The prepayment rate of fixed rate loans and term deposit redemption ratio are estimated by dividing the amount of prepayment amount and redemption amount during the previous month by the balance at the end of the previous month, respectively.

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4.4.4.6  $\Delta$ EVE and  $\Delta$ NII

The Bank calculates  $\Delta$ EVE by applying six interest rate shock and stress scenarios, and  $\Delta$ NII is calculated by applying parallel shock up and parallel shock down scenarios. Results as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021		December 31, 2020	
	$\Delta$ EVE	$\Delta$ NII	$\Delta$ EVE	$\Delta$ NII
Scenario 1 (Parallel shock up)	936,965	564,771	544,087	415,339
Scenario 2 (Parallel shock down)	-	-	-	-
Scenario 3 (Short rates down and long rates up)	273,951		245,337	
Scenario 4 (Short rates up and long rates down)	311,497		423,673	
Scenario 5 (Short rates shock up)	568,246		466,220	
Scenario 6 (Short rates shock down)	345,987		480,246	
Maximum out of six scenarios	936,965	564,771	544,087	415,339
Basic capital	30,491,173		28,234,310	

4.4.5 Financial assets and liabilities denominated in foreign currencies

Details of financial instruments denominated in foreign currencies and translated into Korean won as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021						Total
	USD	JPY	EUR	GBP	CNY	Others	
<b>Financial assets</b>							
Cash and due from financial institutions	5,663,272	335,167	211,344	50,876	489,219	1,005,355	7,755,233
Financial assets at fair value through profit or loss	2,157,251	-	326,279	-	-	143,386	2,626,916
Derivatives held for trading	148,078	-	-	-	5,549	821	154,448
Derivatives held for hedging	82,062	-	-	-	-	90	82,152
Loans measured at amortized cost	26,281,961	583,537	1,546,316	234,612	1,774,589	5,642,904	36,063,919
Financial assets at fair value through other comprehensive income	5,490,476	5,152	121,573	6,273	536,747	351,873	6,512,094
Financial assets at amortized cost	706,511	-	-	-	48,435	448,750	1,203,696
Other financial assets	1,416,785	36,398	95,892	6,874	48,406	115,705	1,720,060
	<u>41,946,396</u>	<u>960,254</u>	<u>2,301,404</u>	<u>298,635</u>	<u>2,902,945</u>	<u>7,708,884</u>	<u>56,118,518</u>
<b>Financial liabilities</b>							
Derivatives held for trading	193,160	71	71	-	18,224	1,223	212,749
Derivatives held for hedging	42,470	-	-	-	-	-	42,470
Deposits	20,794,853	847,257	1,835,384	106,321	1,935,261	5,361,049	30,880,125
Borrowings	14,112,294	456,029	304,678	190,436	-	1,412,587	16,476,024
Debentures	6,026,995	-	1,338,391	-	102,443	435,515	7,903,344
Other financial liabilities	1,611,665	23,141	138,497	15,037	74,403	155,868	2,018,611
	<u>42,781,437</u>	<u>1,326,498</u>	<u>3,617,021</u>	<u>311,794</u>	<u>2,130,331</u>	<u>7,366,242</u>	<u>57,533,323</u>
<b>Off-balance sheet items</b>	<u>16,739,153</u>	<u>353</u>	<u>186,938</u>	<u>800</u>	<u>250,239</u>	<u>524,708</u>	<u>17,702,191</u>

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	December 31, 2020						
	USD	JPY	EUR	GBP	CNY	Others	Total
<b>Financial assets</b>							
Cash and due from financial institutions	3,765,956	528,056	211,266	57,386	815,865	819,591	6,198,120
Financial assets at fair value through profit or loss	1,494,702	449	198,613	627	-	87,780	1,782,171
Derivatives held for trading	190,110	-	-	-	4,344	203	194,657
Derivatives held for hedging	112,431	-	-	-	-	-	112,431
Loans measured at amortized cost	18,055,973	550,793	1,097,069	221,880	1,617,715	5,222,701	26,766,131
Financial assets at fair value through other comprehensive income	4,353,660	5,271	9,438	-	342,804	203,469	4,914,642
Financial assets at amortized cost	317,662	-	-	-	108,594	408,590	834,846
Other financial assets	1,776,965	49,660	200,083	5,504	103,064	272,851	2,408,127
	<u>30,067,459</u>	<u>1,134,229</u>	<u>1,716,469</u>	<u>285,397</u>	<u>2,992,386</u>	<u>7,015,185</u>	<u>43,211,125</u>
<b>Financial liabilities</b>							
Derivatives held for trading	334,938	65	109	-	42,023	8,733	385,868
Derivatives held for hedging	66,305	-	-	-	-	-	66,305
Deposits	15,927,312	923,353	917,479	66,372	1,750,298	4,305,293	23,890,107
Borrowings	9,241,832	485,618	321,705	218,578	439	1,231,359	11,499,531
Debentures	4,798,724	-	666,873	-	-	308,675	5,774,272
Other financial liabilities	2,625,818	38,752	93,949	9,491	34,716	195,272	2,997,998
	<u>32,994,929</u>	<u>1,447,788</u>	<u>2,000,115</u>	<u>294,441</u>	<u>1,827,476</u>	<u>6,049,332</u>	<u>44,614,081</u>
<b>Off-balance sheet items</b>	<u>13,295,571</u>	<u>32,200</u>	<u>254,222</u>	<u>741</u>	<u>253,472</u>	<u>575,914</u>	<u>14,412,120</u>

#### 4.4.6 Risk management according to interest rate benchmark reform

Details of financial instruments that have not been converted to alternative interest rate benchmark as of December 31, 2021, are as follows:

(In millions of Korean won)

	December 31, 2021	
	Exposure amount *	
	USD LIBOR	Others
Measured at fair value (non-derivative):		
Financial investments at fair value through other comprehensive income	231,702	-
Measured at amortized cost:		
Loans	3,726,542	55,800
Borrowings and debentures	513,069	-
Others:		
Derivative financial instruments	1,126,930	-

\* Financial instruments to be expired before transition to alternative interest rate benchmark are excluded, and non-derivative financial instruments are the carrying amount and others are the nominal amount.

#### 4.5 Operational Risk

##### 4.5.1 Concept

The Group defines operational risk as loss risk arising from improper or incorrect internal procedures, personnel, systems or external events and includes financial and non-financial risks.

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#### 4.5.2 Risk management

The purpose of operational risk management is not only to comply with supervisory and regulatory requirements, but also to spread risk management culture, strengthen internal control, improve processes, and provide timely feedback to management and all employees. The Group established a Business Continuity Planning (BCP) to carry out continuous work in emergency situations and established alternative facilities. The Group conducts simulation training for headquarters and IT departments to check the business continuity framework.

#### 4.6 Capital Management

The Group complies with the capital adequacy standard established by the financial supervisory authority. This capital adequacy standard is based on Basel III revised by Basel Committee on Banking Supervision in Bank for International Settlements ("BIS") in June 2011 and was implemented in Korea in December 2013.

According to this standard, the Group is required to maintain a minimum capital adequacy ratio to risk-weighted assets (Common Equity Tier 1 Capital ratio of 4.5%, Tier 1 Capital ratio of 6.0%, and Total Capital ratio of 8.0%) as of December 31, 2021. Capital Conservation Buffer of 2.5% and Capital Requirement of Domestic Systemically Important Bank (D-SIB) of 1.0% are additionally applied. Therefore, the Group is required to maintain a capital adequacy ratio including a minimum capital adequacy ratio and additional capital requirements (Common Equity Tier 1 Capital ratio of 8.0% (December 31, 2020: 8.0%), Tier 1 Capital ratio of 9.5% (December 31, 2020: 9.5%), and Total Capital ratio of 11.5% (December 31, 2020: 11.5%)).

The Group's capital is classified into three categories in accordance with the Detailed Regulations on Supervision of Banking Business as follows:

- Common Equity Tier 1 Capital: Common equity Tier 1 Capital is the first to take losses of the Group and is the last to be compensated in liquidation of the Group and not repaid except for liquidation. It includes capital, capital surplus, retained earnings, non-controlling interests of the consolidated subsidiaries, accumulated other comprehensive income, and other capital surplus, etc.
- Additional Tier 1 Capital: Additional Tier 1 Capital includes capital, capital surplus, etc. related to the issuance of capital securities of a permanent nature that meets the conditional capital securities requirements.
- Tier 2 Capital: Tier 2 Capital means capital that can compensate for losses of the Group upon liquidation, including (a) the amount of subordinated bonds with maturity of not less than 5 years that meet the conditional capital securities requirements, and (b) the allowances for credit losses accumulated on the loans which are classified as normal or precautionary in accordance with Regulations on Supervision of Banking Business, and others.

The risk-weighted assets are the magnitude of assets that reflect the risk that the Group has to bear, including risks inherent in all assets, errors in the operation of internal processes, and risk of loss that may arise from external events. The Group calculates risk-weighted assets by each risk (credit risk, market risk, and operational risk) based on the Detailed Regulations on Supervision of Banking Business and uses them to calculate capital adequacy ratio. The Group complied with external capital adequacy requirements as of December 31, 2021 and 2020.

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Apart from the capital adequacy ratio, the Group evaluates and manages capital adequacy through internal policies. The evaluation of capital adequacy compares the size of available capital (the amount of capital actually available) to the size of internal capital (the amount of capital required to cover all the significant risks faced by the Group under its target credit rating), which monitors financial soundness and provides a risk-adjusted performance measurement basis. The internal capital for capital adequacy assessment is calculated by adding the results of a stress test and other additional capital requirements to the internal capital calculated for each individual risk.

The Risk Management Committee of the Group determines the risk appetite of the Group, allocates internal capital by risk type and business group, and each business group operates capital efficiently within the range of the allocated internal capital. The Risk Management Department of the Group monitors internal capital limit management and reports it to management and the Risk Management Committee. If the limit of internal capital is expected to be exceeded, the Group's capital adequacy management is carried out through review and approval by the Risk Management Committee in advance.

Details of the Group's capital adequacy ratio in accordance with Basel III requirements as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total Capital:	35,572,367	32,554,705
Tier 1 Capital	30,491,173	28,234,310
Common Equity Tier 1 Capital	29,916,650	27,659,787
Additional Tier 1 Capital	574,523	574,523
Tier 2 Capital	5,081,194	4,320,395
Risk-Weighted Assets:	203,569,325	183,148,273
Credit risk <sup>1</sup>	181,149,126	160,817,395
Market risk <sup>2</sup>	10,833,390	11,372,840
Operational risk <sup>3</sup>	11,586,809	10,958,038
Total Capital ratio (%):	17.47	17.78
Tier 1 Capital ratio (%)	14.98	15.42
Common Equity Tier 1 Capital ratio (%)	14.70	15.10

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

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

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

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**5. Segment Information**

**5.1 Overall Segment Information and Business Segments**

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

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

Financial information by business segment as of and for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021				
	Corporate banking	Retail banking	Others	Consolidation adjustments	Total
Net operating revenues from external customers	3,719,822	2,958,198	1,761,432	-	8,439,452
Intersegment net operating revenues (expenses)	(95,647)	-	65,492	30,155	-
	3,624,175	2,958,198	1,826,924	30,155	8,439,452
Net interest income	3,802,477	3,541,539	388,970	(4,510)	7,728,476
Interest income	5,317,800	4,437,930	943,600	(24,969)	10,674,361
Interest expense	(1,515,323)	(896,391)	(554,630)	20,459	(2,945,885)
Net fee and commission income	390,619	392,060	414,798	(9,596)	1,187,881
Fee and commission income	534,749	535,530	549,265	(32,600)	1,586,944
Fee and commission expense	(144,130)	(143,470)	(134,467)	23,004	(399,063)
Net gains on financial instruments at fair value through profit or loss	29,407	-	316,537	(3,110)	342,834
Net other operating income (expenses)	(598,328)	(975,401)	706,619	47,371	(819,739)
General and administrative expenses	(1,831,948)	(2,036,855)	(535,382)	1,454	(4,402,731)
Operating income before provision for credit losses	1,792,227	921,343	1,291,542	31,609	4,036,721
Provision for credit losses	(392,956)	(125,876)	(4,294)	398	(522,728)
Net operating income	1,399,271	795,467	1,287,248	32,007	3,513,993
Share of profit of associates	-	-	57,156	-	57,156
Net other non-operating expenses	(9,237)	-	(52,812)	(17,556)	(79,605)
Segment profit before income tax expense	1,390,034	795,467	1,291,592	14,451	3,491,544
Income tax expense	(368,577)	(218,753)	(317,138)	(49,047)	(953,515)
Profit for the year	1,021,457	576,714	974,454	(34,596)	2,538,029
Profit attributable to the shareholder of the Bank	1,022,699	576,714	974,454	16,897	2,590,764
Loss attributable to non-controlling interests	(1,242)	-	-	(51,493)	(52,735)
Total assets *	189,310,448	169,513,344	131,447,842	(6,706,736)	483,564,898
Total liabilities *	197,834,530	180,815,013	75,034,139	(3,007,697)	450,675,985



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	2020				
	Corporate banking	Retail banking	Others	Consolidation adjustments	Total
Net operating revenues from external customers	2,930,827	2,918,826	1,987,012	-	7,836,665
Intersegment net operating revenues (expenses)	80,973	-	50,516	(131,489)	-
	3,011,800	2,918,826	2,037,528	(131,489)	7,836,665
Net interest income	3,238,002	3,178,280	344,078	(5,594)	6,754,766
Interest income	4,899,943	4,519,579	1,062,698	(26,055)	10,456,165
Interest expense	(1,661,941)	(1,341,299)	(718,620)	20,461	(3,701,399)
Net fee and commission income	363,459	406,603	323,135	(25,275)	1,067,922
Fee and commission income	480,190	529,178	468,101	(27,782)	1,449,687
Fee and commission expense	(116,731)	(122,575)	(144,966)	2,507	(381,765)
Net gains (losses) on financial instruments at fair value through profit or loss	(52,493)	-	408,464	(111,788)	244,183
Net other operating income (expenses)	(537,168)	(666,057)	961,851	11,168	(230,206)
General and administrative expenses	(1,555,090)	(2,072,515)	(574,073)	332	(4,201,346)
Operating income before provision for credit losses	1,456,710	846,311	1,463,455	(131,157)	3,635,319
Provision for credit losses	(204,302)	(264,943)	(15,267)	330	(484,182)
Net operating income	1,252,408	581,368	1,448,188	(130,827)	3,151,137
Share of loss of associates	-	-	(48,158)	-	(48,158)
Net other non-operating income	5,490	-	82,731	(59,377)	28,844
Segment profit before income tax expense	1,257,898	581,368	1,482,761	(190,204)	3,131,823
Income tax expense	(339,728)	(159,876)	(347,199)	34,499	(812,304)
Profit for the year	918,170	421,492	1,135,562	(155,705)	2,319,519
Profit attributable to the shareholder of the Bank	917,955	421,492	1,135,562	(176,814)	2,298,195
Profit attributable to non-controlling interests	215	-	-	21,109	21,324
Total assets *	164,323,181	161,330,053	119,529,291	(6,738,411)	438,444,114
Total liabilities *	167,236,387	176,571,944	66,577,810	(2,350,101)	408,036,040

\* Assets and liabilities of the reporting segments are amounts before intersegment transactions.

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5.2 Services and Geographical Segments

5.2.1 Services information

Net operating revenues from external customers by service for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Corporate banking service	3,719,822	2,930,827
Retail banking service	2,958,198	2,918,826
Others	1,761,432	1,987,012
	<b>8,439,452</b>	<b>7,836,665</b>

5.2.2 Geographical information

Geographical net operating revenues from external customers for the years ended December 31, 2021 and 2020, and major non-current assets as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>Net operating revenues from external customers</b>		<b>Major non-current assets</b>	
	<b>2021</b>	<b>2020</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Domestic	7,768,786	7,416,339	4,385,855	4,462,857
United States	37,332	3,071	7,009	8,206
New Zealand	12,857	3,554	1,932	2,385
China	110,251	67,064	19,320	12,230
Japan	17,482	7,933	2,019	2,607
Myanmar	5,140	6,646	2,993	4,309
Vietnam	10,185	38,983	2,132	2,167
Cambodia	390,383	238,045	29,545	28,709
United Kingdom	23,571	27,092	885	1,250
Indonesia	57,635	13,995	360,556	360,202
India	5,830	13,943	839	1,155
Consolidation adjustments	-	-	474,417	436,572
	<b>8,439,452</b>	<b>7,836,665</b>	<b>5,287,502</b>	<b>5,322,649</b>

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**6. Financial Assets and Financial Liabilities**

6.1 Classification and Fair Value of Financial Instruments

6.1.1 Carrying amount and fair value of financial assets and liabilities by category as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and due from financial institutions	25,164,991	25,164,936	19,972,269	19,974,488
Financial assets at fair value through profit or loss:	18,834,364	18,834,364	16,042,357	16,042,357
Debt securities	18,513,088	18,513,088	15,707,842	15,707,842
Equity securities	113,724	113,724	205,794	205,794
Loans	93,930	93,930	38,756	38,756
Others	113,622	113,622	89,965	89,965
Derivatives held for trading	2,835,202	2,835,202	4,291,829	4,291,829
Derivatives held for hedging	130,424	130,424	164,839	164,839
Loans measured at amortized cost	361,144,701	361,047,763	327,332,495	328,145,460
Financial assets at fair value through other comprehensive income:	41,580,315	41,580,315	42,698,069	42,698,069
Debt securities	38,140,906	38,140,906	39,960,675	39,960,675
Equity securities	3,169,800	3,169,800	2,502,614	2,502,614
Loans	269,609	269,609	234,780	234,780
Securities measured at amortized cost	22,164,594	21,880,536	15,588,413	15,655,381
Other financial assets	5,277,227	5,277,227	5,986,686	5,986,686
	<u>477,131,818</u>	<u>476,750,767</u>	<u>432,076,957</u>	<u>432,959,109</u>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	112,698	112,698	141,277	141,277
Derivatives held for trading	2,706,941	2,706,941	4,215,097	4,215,097
Derivatives held for hedging	42,471	42,471	67,267	67,267
Deposits	363,141,416	363,049,803	330,352,491	330,601,366
Borrowings	32,523,161	32,447,493	26,870,831	26,878,476
Debentures	29,718,734	29,780,948	26,969,584	27,131,418
Other financial liabilities	19,715,198	19,715,198	16,976,326	16,976,326
	<u>447,960,619</u>	<u>447,855,552</u>	<u>405,592,873</u>	<u>406,011,227</u>

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

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

<b>Cash and due from financial institutions</b>	Fair value of cash is same as carrying amount. Carrying amount of demand deposit and settlement deposit is a reasonable approximation of fair value because these financial instruments do not have a fixed maturity and are receivable on demand. Fair value of general deposit is measured using Discounted Cash Flow ("DCF") Model.
<b>Securities Due from financial institutions and deposits indexed to gold price</b>	Fair value of securities and others that are traded in an active market and due from financial institutions and deposits indexed to gold price is determined using the quoted prices. If there is no quoted price, fair value is determined using external professional valuation institutions. The institutions use one or more valuation techniques that are deemed appropriate considering the characteristics of the financial instruments among DCF Model, MonteCarlo Simulation, Free Cash Flow to Equity Model, Comparable Company Analysis, Dividend Discount Model, and Net Asset Value Method.
<b>Loans</b>	Fair value of loans is determined using DCF Model and independent external professional valuation institutions. Fair value measured by DCF Model is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
<b>Derivatives</b>	Fair value of exchange traded derivatives is determined using quoted price in an active market, and fair value of OTC derivatives is determined using valuation techniques. The Group uses internally developed valuation models that are widely used by market participants to determine fair value of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including Finite Difference Method ("FDM"), MonteCarlo Simulation, and Tree Model or valuation results from independent external professional valuation institutions. For OTC derivatives, the credit risk of counterparty and the Group's own credit risk are applied through credit valuation adjustment method.
<b>Deposits</b>	Carrying amount of demand deposits is a reasonable approximation of fair value because they do not have a fixed maturity and are payable on demand. Fair value of time deposits is determined using DCF Model discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
<b>Borrowings</b>	Carrying amount of overdrafts in foreign currency is a reasonable approximation of fair value because they do not have a fixed maturity and are payable on demand. Fair value of other borrowings is determined using DCF Model.
<b>Debentures</b>	Fair value is determined using valuation results (DCF Model) of external professional valuation institutions, which are calculated using market inputs.

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<b>Other financial assets and other financial liabilities</b>	Carrying amount is a reasonable approximation of fair value because other financial assets and other financial liabilities are temporary accounts used for other various transactions and their maturities are relatively short or not defined.
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6.1.2 Fair value hierarchy

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

The Group classifies and discloses fair value of the financial instruments into the three fair value levels as follows:

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

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

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

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy.

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

Fair value hierarchy of financial assets and liabilities at fair value in the consolidated statements of financial position as of December 31, 2021 and 2020, are as follows:

	December 31, 2021			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:	4,085,766	11,434,023	3,314,575	18,834,364
Debt securities	3,910,659	11,434,023	3,168,406	18,513,088
Equity securities	61,485	-	52,239	113,724
Loans	-	-	93,930	93,930
Others	113,622	-	-	113,622
Derivatives held for trading	-	2,835,141	61	2,835,202
Derivatives held for hedging	-	130,424	-	130,424
Financial assets at fair value through other comprehensive income:	11,823,832	28,907,384	849,099	41,580,315
Debt securities	9,503,131	28,637,775	-	38,140,906
Equity securities	2,320,701	-	849,099	3,169,800
Loans	-	269,609	-	269,609
	15,909,598	43,306,972	4,163,735	63,380,305
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	112,698	-	-	112,698
Derivatives held for trading	-	2,706,549	392	2,706,941
Derivatives held for hedging	-	42,471	-	42,471
	112,698	2,749,020	392	2,862,110

(In millions of Korean won)

	December 31, 2020			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:	4,587,921	9,182,082	2,272,354	16,042,357
Debt securities	4,344,334	9,182,082	2,181,426	15,707,842
Equity securities	153,622	-	52,172	205,794
Loans	-	-	38,756	38,756
Others	89,965	-	-	89,965
Derivatives held for trading	-	4,291,785	44	4,291,829
Derivatives held for hedging	-	164,839	-	164,839
Financial assets at fair value through other comprehensive income:	9,918,763	30,861,326	1,917,980	42,698,069
Debt securities	9,334,129	30,626,546	-	39,960,675
Equity securities	584,634	-	1,917,980	2,502,614
Loans	-	234,780	-	234,780
	14,506,684	44,500,032	4,190,378	63,197,094
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	141,277	-	-	141,277
Derivatives held for trading	-	4,214,990	107	4,215,097
Derivatives held for hedging	-	67,267	-	67,267
	141,277	4,282,257	107	4,423,641

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Valuation techniques and inputs of financial assets and liabilities classified as Level 2 and measured at fair value in the consolidated statements of financial position as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>		<b>December 31, 2021</b>	
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Financial assets</b>			
Financial assets at fair value through profit or loss:	11,434,023		
Debt securities	11,434,023	DCF Model, MonteCarlo Simulation, Net Asset Value Method	Discount rate, interest rate, prices of underlying assets (debt securities, stocks, etc.)
Derivatives held for trading	2,835,141	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price, and others
Derivatives held for hedging	130,424	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, and others
Financial assets at fair value through other comprehensive income:	28,907,384		
Debt securities	28,637,775	DCF Model	Discount rate
Loans	269,609	DCF Model	Discount rate
	<u>43,306,972</u>		
<b>Financial liabilities</b>			
Derivatives held for trading	2,706,549	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price, and others
Derivatives held for hedging	42,471	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, and others
	<u>2,749,020</u>		
<i>(In millions of Korean won)</i>		<b>December 31, 2020</b>	
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Financial assets</b>			
Financial assets at fair value through profit or loss:	9,182,082		
Debt securities	9,182,082	DCF Model, MonteCarlo Simulation, Net Asset Value Method	Discount rate, interest rate, prices of underlying assets (debt securities, stocks, etc.)
Derivatives held for trading	4,291,785	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price, and others
Derivatives held for hedging	164,839	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, and others
Financial assets at fair value through other comprehensive income:	30,861,326		
Debt securities	30,626,546	DCF Model	Discount rate
Loans	234,780	DCF Model	Discount rate
	<u>44,500,032</u>		
<b>Financial liabilities</b>			
Derivatives held for trading	4,214,990	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price, and others
Derivatives held for hedging	67,267	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, and others
	<u>4,282,257</u>		

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

Fair value hierarchy of financial assets and liabilities whose fair value is disclosed as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Cash and due from financial institutions <sup>1</sup>	2,644,591	20,973,023	1,547,322	25,164,936
Loans measured at amortized cost	-	-	361,047,763	361,047,763
Securities measured at amortized cost	2,712,403	19,168,133	-	21,880,536
Other financial assets <sup>2</sup>	-	-	5,277,227	5,277,227
	<u>5,356,994</u>	<u>40,141,156</u>	<u>367,872,312</u>	<u>413,370,462</u>
<b>Financial liabilities</b>				
Deposits <sup>1</sup>	-	197,274,176	165,775,627	363,049,803
Borrowings <sup>1</sup>	-	2,146	32,445,347	32,447,493
Debentures	-	29,780,948	-	29,780,948
Other financial liabilities <sup>2</sup>	-	-	19,715,198	19,715,198
	<u>-</u>	<u>227,057,270</u>	<u>217,936,172</u>	<u>444,993,442</u>

(In millions of Korean won)

	December 31, 2020			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Cash and due from financial institutions <sup>1</sup>	2,884,215	15,878,268	1,212,005	19,974,488
Loans measured at amortized cost	-	-	328,145,460	328,145,460
Securities measured at amortized cost	4,125,052	11,530,329	-	15,655,381
Other financial assets <sup>2</sup>	-	-	5,986,686	5,986,686
	<u>7,009,267</u>	<u>27,408,597</u>	<u>335,344,151</u>	<u>369,762,015</u>
<b>Financial liabilities</b>				
Deposits <sup>1</sup>	-	174,488,438	156,112,928	330,601,366
Borrowings <sup>1</sup>	-	295	26,878,181	26,878,476
Debentures	-	27,131,418	-	27,131,418
Other financial liabilities <sup>2</sup>	-	-	16,976,326	16,976,326
	<u>-</u>	<u>201,620,151</u>	<u>199,967,435</u>	<u>401,587,586</u>

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

<sup>2</sup> Other financial assets and other financial liabilities included in Level 3 are the carrying amounts which are reasonable approximations of fair value.



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For financial assets and liabilities whose carrying amount is a reasonable approximation of fair value, valuation techniques and inputs are not disclosed.

Valuation techniques and inputs of financial assets and liabilities classified as Level 2, and whose fair value is disclosed as of December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>December 31, 2021</b>		
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Financial assets</b>			
Securities measured at amortized cost	19,168,133	DCF Model, MonteCarlo Simulation	Discount rate, interest rate
<b>Financial liabilities</b>			
Debentures	29,780,948	DCF Model	Discount rate

*(In millions of Korean won)*

	<b>December 31, 2020</b>		
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Financial assets</b>			
Securities measured at amortized cost	11,530,329	DCF Model, MonteCarlo Simulation	Discount rate, interest rate
<b>Financial liabilities</b>			
Debentures	27,131,418	DCF Model	Discount rate

Valuation techniques and inputs of financial assets and liabilities classified as Level 3, and whose fair value is disclosed as of December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>December 31, 2021</b>			
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>	<b>Unobservable inputs</b>
<b>Financial assets</b>				
Cash and due from financial institutions	1,547,322	DCF Model	Credit spread, other spread, interest rate	Credit spread, other spread
Loans measured at amortized cost	361,047,763	DCF Model	Credit spread, other spread, prepayment rate, interest rate	Credit spread, other spread, prepayment rate
	<u>362,595,085</u>			
<b>Financial liabilities</b>				
Deposits	165,775,627	DCF Model	Other spread, prepayment rate, interest rate	Other spread, prepayment rate
Borrowings	32,445,347	DCF Model	Other spread, interest rate	Other spread
	<u>198,220,974</u>			

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	December 31, 2020			
	Fair value	Valuation techniques	Inputs	Unobservable inputs
<b>Financial assets</b>				
Cash and due from financial institutions	1,212,005	DCF Model	Credit spread, other spread, interest rate	Credit spread, other spread
Loans measured at amortized cost	328,145,460	DCF Model	Credit spread, other spread, prepayment rate, interest rate	Credit spread, other spread, prepayment rate
	<u>329,357,465</u>			
<b>Financial liabilities</b>				
Deposits	156,112,928	DCF Model	Other spread, prepayment rate, interest rate	Other spread, prepayment rate
Borrowings	26,878,181	DCF Model	Other spread, interest rate	Other spread
	<u>182,991,109</u>			

6.2 Disclosure of Fair Value Hierarchy Level 3

6.2.1 Valuation policy and process of Level 3 fair value

The Group uses external, independent and qualified valuation service in addition to internal valuation models to determine the fair value of financial instruments at the end of every reporting period.

If the changes in situation and events which cause transfers between the fair value hierarchy level for a financial asset or liability occur, the Group's policy is to recognize such transfers as having occurred at the beginning of the reporting period.

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6.2.2 Changes in fair value (Level 3) measured using valuation technique based on unobservable inputs in the market

6.2.2.1 Changes in financial instruments classified as Level 3 of the fair value hierarchy for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021				
	Financial assets at fair value through profit or loss		Financial investments	Net derivative financial instruments	
	Securities measured at fair value through profit or loss	Loans measured at fair value through profit or loss	Equity securities measured at fair value through other comprehensive income	Derivatives held for trading	Derivatives held for hedging
Beginning	2,233,598	38,756	1,917,980	(63)	-
Total gains or losses:					
- Profit or loss	120,852	(431)	-	(203)	-
- Other comprehensive loss	-	-	(139,455)	-	-
Purchases	1,354,851	55,605	23,507	2	-
Sales	(488,656)	-	(484)	(67)	-
Transfers out of Level 3	-	-	(952,449)	-	-
Ending	3,220,645	93,930	849,099	(331)	-

(In millions of Korean won)

	2020				
	Financial assets at fair value through profit or loss		Financial investments	Net derivative financial instruments	
	Securities measured at fair value through profit or loss	Loans measured at fair value through profit or loss	Equity securities measured at fair value through other comprehensive income	Derivatives held for trading	Derivatives held for hedging
Beginning	1,897,487	188,133	1,041,246	(416)	-
Total gains or losses:					
- Profit or loss	62,611	627	-	171	-
- Other comprehensive income	-	-	784,051	-	-
Purchases	703,320	-	92,699	3	-
Sales	(429,820)	(150,004)	(16)	-	-
Transfers into Level 3	-	-	-	179	-
Ending	2,233,598	38,756	1,917,980	(63)	-

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6.2.2.2 In relation to changes in financial instruments classified as Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period, and total gains or losses recognized in profit or loss from financial instruments held at the end of the reporting period for the years ended December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>2021</b>		
	<b>Net gains on financial instruments at fair value through profit or loss</b>	<b>Other operating income</b>	<b>Net interest income</b>
Total gains recognized in profit or loss for the period	102,758	17,460	-
Total gains recognized in profit or loss from financial instruments held at the end of the reporting period	132,034	16,989	-

*(In millions of Korean won)*

	<b>2020</b>		
	<b>Net gains on financial instruments at fair value through profit or loss</b>	<b>Other operating expenses</b>	<b>Net interest income</b>
Total gains (losses) recognized in profit or loss for the period	79,025	(15,616)	-
Total gains (losses) recognized in profit or loss from financial instruments held at the end of the reporting period	74,955	(15,616)	-

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6.2.3 Sensitivity analysis of changes in unobservable inputs

6.2.3.1 Information about fair value measurements using unobservable inputs as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

December 31, 2021						
	Fair value	Valuation techniques	Inputs	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets						
Financial assets at fair value through profit or loss:						
Debt securities	3,168,406	MonteCarlo Simulation, Net Asset Value Method, DCF Model, Tree Model	Price of underlying asset, interest rate, dividend yield, discount rate, liquidation value, rate of real estate sale price fluctuation, stock price, volatility of stock price	Discount rate Liquidation value Rate of real estate sale price Volatility of stock price	8.17 ~ 21.37 0.00 0.00 18.87 ~ 19.48	Lower the discount rate, higher the fair value Higher the liquidation value, higher the fair value Higher the real estate sale price, higher the fair value Higher the volatility, higher the fair value fluctuation
Equity securities	52,239	DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method	Growth rate, discount rate	Growth rate Discount rate	0.00 ~ 1.00 10.76 ~ 22.79	Higher the growth rate, higher the fair value Lower the discount rate, higher the fair value
Loans	93,930	DCF Model	Discount rate	Discount rate	8.21	Lower the discount rate, higher the fair value
Derivatives held for trading:						
Stock and index	61	Tree Model	Price of underlying asset, volatility of underlying asset	Volatility of underlying asset	17.00 ~ 25.49	Higher the volatility, higher the fair value fluctuation
Financial assets at fair value through other comprehensive income:						
Equity securities	849,099	DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method, Tree Model	Growth rate, discount rate, stock price, volatility of stock price	Growth rate Discount rate Volatility of stock price	0.00 ~ 1.00 10.42 ~ 18.02 23.36 ~ 25.49	Higher the growth rate, higher the fair value Lower the discount rate, higher the fair value Higher the volatility, higher the fair value fluctuation
	<u>4,163,735</u>					
Financial liabilities						
Derivatives held for trading:						
Others	392	DCF Model	Interest rate, discount rate	Discount rate	1.46 ~ 2.83	Higher the discount rate, lower the fair value
	<u>392</u>					

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December 31, 2020						
	Fair value	Valuation techniques	Inputs	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
<b>Financial assets</b>						
Financial assets at fair value through profit or loss:						
Debt securities	2,181,426	MonteCarlo Simulation, Net Asset Value Method, DCF Model	Price of underlying asset, interest rate, dividend yield, volatilities and correlation of underlying asset, discount rate, liquidation value, rate of real estate sale price fluctuation	Volatilities of underlying asset Correlation of underlying asset Discount rate Liquidation value Rate of real estate sale price fluctuation	5.47 ~ 26.70 14.83~100.00 8.63 ~ 21.37 0.00 0.00	Higher the volatility, higher the fair value fluctuation Higher the correlation, higher the fair value fluctuation Lower the discount rate, higher the fair value Higher the liquidation value, higher the fair value Higher the real estate sale price, higher the fair value
Equity securities	52,172	DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method	Growth rate, discount rate	Growth rate Discount rate	0.00 7.64 ~ 18.67	Higher the growth rate, higher the fair value Lower the discount rate, higher the fair value
Loans	38,756	DCF Model	Discount rate	Discount rate	7.86	Lower the discount rate, higher the fair value
Derivatives held for trading: Stock and index	44	Tree Model	Price of underlying asset, volatility of underlying asset	Volatility of underlying asset	22.11~26.24	Higher the volatility, higher the fair value fluctuation
Financial assets at fair value through other comprehensive income:						
Equity securities	1,917,980	DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method, Tree Model	Growth rate, discount rate, stock price, volatility of stock price	Growth rate Discount rate Volatility of stock price	0.00 9.90 ~ 19.67 22.11~24.16	Higher the growth rate, higher the fair value Lower the discount rate, higher the fair value Higher the volatility, higher the fair value fluctuation
	<u>4,190,378</u>					
<b>Financial liabilities</b>						
Derivatives held for trading: Others	107	DCF Model	Interest rate, discount rate	Discount rate	1.15 ~ 1.29	Higher the discount rate, lower the fair value
	<u>107</u>					

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6.2.3.2 Sensitivity analysis of changes in unobservable inputs

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

Results of the sensitivity analysis of changes in unobservable inputs as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021			
	Profit or loss		Other comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Debt securities <sup>3, 5</sup>	7,065	(7,001)	-	-
Equity securities <sup>2, 5</sup>	5,698	(4,328)	-	-
Loans <sup>4</sup>	3,062	(2,742)	-	-
Derivatives held for trading <sup>1</sup>	2	-	-	-
Financial assets at fair value through other comprehensive income:				
Equity securities <sup>2, 5, 6</sup>	-	-	87,021	(65,000)
	<u>15,827</u>	<u>(14,071)</u>	<u>87,021</u>	<u>(65,000)</u>
<b>Financial liabilities</b>				
Derivatives held for trading <sup>1</sup>	196	(204)	-	-
	<u>196</u>	<u>(204)</u>	<u>-</u>	<u>-</u>

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	December 31, 2020			
	Profit or loss		Other comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Debt securities <sup>3, 5</sup>	8,051	(6,604)	-	-
Equity securities <sup>2, 5</sup>	8,112	(4,545)	-	-
Loans <sup>4</sup>	3,316	(2,952)	-	-
Derivatives held for trading <sup>1</sup>	8	(8)	-	-
Financial assets at fair value through other comprehensive income:				
Equity securities <sup>2, 5, 6</sup>	-	-	94,084	(55,297)
	<u>19,487</u>	<u>(14,109)</u>	<u>94,084</u>	<u>(55,297)</u>
<b>Financial liabilities</b>				
Derivatives held for trading <sup>1</sup>	3	(3)	-	-
	<u>3</u>	<u>(3)</u>	<u>-</u>	<u>-</u>

<sup>1</sup> For derivative financial instruments, changes in fair value are calculated by shifting principal unobservable input parameters such as price and the volatility of underlying asset by  $\pm 10$ .

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

<sup>3</sup> For beneficiary certificates, it is practically impossible to analyze sensitivity of changes in unobservable inputs. However, for beneficiary certificates whose underlying assets are real estates, changes in fair value are calculated by shifting rate of real estate sale price fluctuation (-1%p~1%p), and for beneficiary certificates whose underlying assets are equity investments, changes in fair value are calculated by shifting liquidation value (-1%p~1%p) and discount rate (-1%p~1%p). There is no significant correlation among major unobservable inputs.

<sup>4</sup> For loans, changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate (-1%p~1%p).

<sup>5</sup> The amounts of ₩ 3,175,985 million and ₩ 2,992,304 million of financial assets classified as level 3 as of December 31, 2021 and 2020, respectively, are excluded because it is practically impossible to analyze sensitivity of changes in unobservable inputs.

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



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6.2.4 Day one gains or losses

When the Group measures the fair value of OTC derivatives using inputs that are not based on observable market data, there could be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price, and the difference is not recognized in profit or loss but deferred and amortized using the straight-line method over the life of the financial instrument. When the fair value of the financial instruments is subsequently determined using observable market inputs, the remaining deferred amount is recognized in profit or loss.

Changes in deferred day one gains or losses for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021	2020
Balance at the beginning of the year (A)	(637)	(1,778)
New transactions (B)	(10,032)	-
Amounts recognized in profit or loss (C=a+b)	1,950	1,141
a. Amortization	1,950	1,141
b. Settlement	-	-
Balance at the end of the year (A+B+C)	(8,719)	(637)

6.3 Carrying Amount of Financial Instruments by Category

Financial assets and liabilities are measured at fair value or amortized cost. Carrying amount of financial assets and liabilities by category as of December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	December 31, 2021					
	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total
<b>Financial assets</b>						
Cash and due from financial institutions	-	-	-	25,164,991	-	25,164,991
Financial assets at fair value through profit or loss	18,834,364	-	-	-	-	18,834,364
Derivative financial assets	2,835,202	-	-	-	130,424	2,965,626
Loans measured at amortized cost	-	-	-	361,144,701	-	361,144,701
Financial investments	-	38,410,515	3,169,800	22,164,594	-	63,744,909
Other financial assets	-	-	-	5,277,227	-	5,277,227
	<u>21,669,566</u>	<u>38,410,515</u>	<u>3,169,800</u>	<u>413,751,513</u>	<u>130,424</u>	<u>477,131,818</u>

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	December 31, 2021			
	Financial instruments at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	112,698	-	-	112,698
Derivative financial liabilities	2,706,941	-	42,471	2,749,412
Deposits	-	363,141,416	-	363,141,416
Borrowings	-	32,523,161	-	32,523,161
Debentures	-	29,718,734	-	29,718,734
Other financial liabilities	-	19,715,198	-	19,715,198
	<u>2,819,639</u>	<u>445,098,509</u>	<u>42,471</u>	<u>447,960,619</u>

(In millions of Korean won)

	December 31, 2020					
	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial assets						
Cash and due from financial institutions	-	-	-	19,972,269	-	19,972,269
Financial assets at fair value through profit or loss	16,042,357	-	-	-	-	16,042,357
Derivative financial assets	4,291,829	-	-	-	164,839	4,456,668
Loans measured at amortized cost	-	-	-	327,332,495	-	327,332,495
Financial investments	-	40,195,455	2,502,614	15,588,413	-	58,286,482
Other financial assets	-	-	-	5,986,686	-	5,986,686
	20,334,186	40,195,455	2,502,614	368,879,863	164,839	432,076,957

(In millions of Korean won)

	December 31, 2020			
	Financial instruments at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	141,277	-	-	141,277
Derivative financial liabilities	4,215,097	-	67,267	4,282,364
Deposits	-	330,352,491	-	330,352,491
Borrowings	-	26,870,831	-	26,870,831
Debentures	-	26,969,584	-	26,969,584
Other financial liabilities	-	16,976,326	-	16,976,326
	<u>4,356,374</u>	<u>401,169,232</u>	<u>67,267</u>	<u>405,592,873</u>

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6.4 Transfer of Financial Assets

6.4.1 Transferred financial assets that are derecognized in their entirety

The Group transferred loans and other financial assets to companies specialized in asset-backed securitization and derecognized them from the consolidated financial statement, while the maximum exposure to loss (carrying amount) from its continuing involvement and fair value of its continuing involvement of the derecognized financial assets as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

December 31, 2021				
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement	Fair value of continuing involvement
Discovery 2 <sup>nd</sup> Securitization Specialty Co., Ltd.	Subordinated bond	Financial assets at fair value through profit or loss	5,189	5,189
AP 4D ABS Ltd.	Subordinated bond	Financial assets at fair value through profit or loss	5,463	5,463
			10,652	10,652

(In millions of Korean won)

December 31, 2020				
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement	Fair value of continuing involvement
Discovery 2 <sup>nd</sup> Securitization Specialty Co., Ltd.	Subordinated bond	Financial assets at fair value through profit or loss	5,190	5,190
FK 1411 ABS Ltd.	Subordinated bond	Financial assets at fair value through profit or loss	1,062	1,062
AP 3B ABS Ltd.	Subordinated bond	Financial assets at fair value through profit or loss	646	646
AP 4D ABS Ltd.	Subordinated bond	Financial assets at fair value through profit or loss	6,304	6,304
			13,202	13,202

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6.4.2 Bonds sold under repurchase agreements and loaned securities

The Group continues to recognize the financial assets related to bonds sold under repurchase agreements and securities lending transactions in the consolidated statement of financial position since those transactions are not qualified for derecognition even though the Group transfers the financial assets. Bonds sold under repurchase agreements are sold on the condition that they will be repurchased at a fixed price and loaned securities will be returned at the expiration of the loan period. Thus, the Group retains substantially all the risks and rewards of ownership of the financial assets.

The carrying amount of transferred assets and related liabilities as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>December 31, 2021</b>	
	<b>Carrying amount of transferred assets</b>	<b>Carrying amount of related liabilities</b>
Bonds sold under repurchase agreements	860,565	832,352
Loaned securities:		
Government and public bonds	49,816	-
	<u>910,381</u>	<u>832,352</u>

(In millions of Korean won)

	<b>December 31, 2020</b>	
	<b>Carrying amount of transferred assets</b>	<b>Carrying amount of related liabilities</b>
Bonds sold under repurchase agreements	1,354,289	1,313,483
Loaned securities:		
Government and public bonds	741,804	-
	<u>2,096,093</u>	<u>1,313,483</u>

6.4.3 Purchase commitments of securitized debentures

The Group provided additional credit enhancement, such as purchase commitments, for the underlying assets of subsidiaries established for asset-backed securitization. Details of carrying amounts of the underlying assets and the associated liabilities as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		<b>December 31, 2021</b>	<b>December 31, 2020</b>
Underlying assets	Financial assets at fair value through profit or loss	119,710	75,605
	Loans measured at amortized cost *	2,357,972	1,909,540
		<u>2,477,682</u>	<u>1,985,145</u>
Associated liabilities	Debentures	<u>2,476,072</u>	<u>1,983,840</u>

\* Before netting of allowance

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6.5 Offsetting Financial Assets and Financial Liabilities

The Group enters into International Swaps and Derivatives Association ("ISDA") master netting agreements and other similar arrangements with the Group's OTC derivative and spot exchange counterparties. Similar netting agreements are also entered into with the Group's (a) sales or purchases of bonds under repurchase agreements and (b) securities lending and borrowing transactions, etc. Pursuant to these agreements, in the event of default by one party, contracts are to be terminated and receivables and payables are to be offset. As the Group has the legal right of offset and settles in net amount, domestic exchange settlement debits and domestic exchange settlement credits are recognized in its net settlement balance in the consolidated statement of financial position. Other financial instruments such as account receivables and account payables related to listed securities, and derivatives or OTC derivatives settled by the central clearing house are also recognized in its net settlement balance in the consolidated statement of financial position as the Group has the legal right of offset and settles in net amount.

6.5.1 Details of financial assets subject to enforceable master netting agreements or similar arrangements as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021					
	Gross assets	Gross liabilities offset	Net amount in the statement of financial position	Non-offsetting amount Financial instruments	Cash collateral	Net amount
Derivatives held for trading	2,835,141	-	2,835,141	(1,810,195)	(5)	1,155,365
Derivatives held for hedging	130,424	-	130,424			
Unsettled spot exchange receivable	2,353,879	-	2,353,879	(2,349,893)	-	3,986
Bonds purchased under repurchase agreements	5,508,594	-	5,508,594	(5,508,594)	-	-
Domestic exchange settlement debits	43,372,672	(42,383,120)	989,552	-	-	989,552
Other financial instruments	20,728	(20,377)	351	-	-	351
	<u>54,221,438</u>	<u>(42,403,497)</u>	<u>11,817,941</u>	<u>(9,668,682)</u>	<u>(5)</u>	<u>2,149,254</u>

(In millions of Korean won)

	December 31, 2020					
	Gross assets	Gross liabilities offset	Net amount in the statement of financial position	Non-offsetting amount Financial instruments	Cash collateral	Net amount
Derivatives held for trading	4,173,489	-	4,173,489	(3,175,203)	(274)	1,162,851
Derivatives held for hedging	164,839	-	164,839			
Unsettled spot exchange receivable	3,104,233	-	3,104,233	(3,102,431)	-	1,802
Bonds purchased under repurchase agreements	2,808,380	-	2,808,380	(2,808,380)	-	-
Domestic exchange settlement debits	37,442,464	(36,726,449)	716,015	-	-	716,015
Other financial instruments	20,093	(19,757)	336	-	-	336
	<u>47,713,498</u>	<u>(36,746,206)</u>	<u>10,967,292</u>	<u>(9,086,014)</u>	<u>(274)</u>	<u>1,881,004</u>

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6.5.2 Details of financial liabilities subject to enforceable master netting agreements or similar arrangements as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021					
	Gross liabilities	Gross assets offset	Net amount in the statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral	
Derivatives held for trading	2,706,548	-	2,706,548			
Derivatives held for hedging	42,471	-	42,471	(2,019,139)	-	729,880
Unsettled spot exchange payable	2,352,736	-	2,352,736	(2,349,893)	-	2,843
Bonds sold under repurchase agreements *	832,352	-	832,352	(832,352)	-	-
Domestic exchange settlement credits	47,504,809	(42,383,120)	5,121,689	(5,121,689)	-	-
Other financial instruments	23,363	(20,377)	2,986	-	-	2,986
	<u>53,462,279</u>	<u>(42,403,497)</u>	<u>11,058,782</u>	<u>(10,323,073)</u>	<u>-</u>	<u>735,709</u>

(In millions of Korean won)

	December 31, 2020					
	Gross liabilities	Gross assets offset	Net amount in the statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral	
Derivatives held for trading	4,148,295	-	4,148,295			
Derivatives held for hedging	67,267	-	67,267	(2,395,773)	-	1,819,789
Unsettled spot exchange payable	3,103,095	-	3,103,095	(3,102,431)	-	664
Bonds sold under repurchase agreements *	1,363,543	-	1,363,543	(1,363,543)	-	-
Domestic exchange settlement credits	37,659,778	(36,726,449)	933,329	(933,329)	-	-
Other financial instruments	22,824	(19,757)	3,067	-	-	3,067
	<u>46,364,802</u>	<u>(36,746,206)</u>	<u>9,618,596</u>	<u>(7,795,076)</u>	<u>-</u>	<u>1,823,520</u>

\* Includes bonds sold under repurchase agreements to customers.

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**7. Due from Financial Institutions**

7.1 Details of due from financial institutions as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)		Financial institutions	Interest rate (%)	December 31, 2021	December 31, 2020
Due from financial institutions in Korean won	Due from the Bank of Korea	The Bank of Korea	0.00~0.97	15,317,033	11,242,803
	Due from banks	Hana Bank and others	0.00~2.21	159,059	259,339
	Due from others	Korea Securities Finance Corporation and others	0.00~1.98	20,732	14,050
				15,496,824	11,516,192
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	The Bank of Korea and others	0.00~4.00	6,252,882	4,161,788
	Time deposits in foreign currencies	Bank of Communications Co., Ltd. New York Branch and others	0.30~5.75	389,320	630,156
	Due from others	Societe Generale (Paris) and others	0.00~4.50	383,502	780,141
				7,025,704	5,572,085
				22,522,528	17,088,277

\* Before netting of allowance

7.2 Details of restricted due from financial institutions as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>		<b>Financial institutions</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Reasons of restriction</b>
Due from financial institutions in Korean won	Due from the Bank of Korea	The Bank of Korea	15,317,033	11,242,803	Bank of Korea Act
	Due from others	NH Investment & Securities Co., Ltd. and others	20,733	14,050	Derivatives margin account
			<u>15,337,766</u>	<u>11,256,853</u>	
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Indonesia and others	2,262,610	1,097,674	Indonesian law and others
	Time deposits in foreign currencies	Bank of Communications Co., Ltd.	59,275	38,080	New York State Banking Law
	Due from others	Societe Generale (Paris) and others	206,074	380,432	Derivatives margin account
			<u>2,527,959</u>	<u>1,516,186</u>	
			<u>17,865,725</u>	<u>12,773,039</u>	

\* Before netting of allowance

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7.3 Changes in allowances for credit losses of due from financial institutions for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	12-month expected credit losses	2021	
		Non-impaired	Impaired
Beginning	2,063	34	282
Transfer between stages	-	-	-
Provision (reversal) for credit losses	7	(35)	(282)
Others (exchange differences, etc.)	57	1	-
Ending	2,127	-	-

(In millions of Korean won)

	12-month expected credit losses	2020	
		Non-impaired	Impaired
Beginning	2,502	1,186	360
Transfer between stages	-	-	-
Reversal of credit losses	(598)	(1,127)	-
Business combination	138	-	-
Others (exchange differences, etc.)	21	(25)	(78)
Ending	2,063	34	282

**8. Assets Pledged as Collateral**

8.1 Details of assets pledged as collateral as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		December 31, 2021	
Assets pledged	Pledgee	Carrying amount	Reasons of pledge
Securities measured at fair value through profit or loss	The Korea Exchange and others	267,505	Repurchase agreements
	Samsung Futures and others	9,889	Derivatives transactions
	Others	94,265	Others
		371,659	
Securities measured at fair value through other comprehensive income	CITI Bank	57,693	Repurchase agreements
	The Bank of Korea	2,843,426	Borrowings from the Bank of Korea
		1,249,049	Settlement risk of the Bank of Korea
	JP Morgan Chase Bank and others	590,321	Derivatives transactions
	Others	34,757	Others
		4,775,246	
Securities measured at amortized cost	Meritz Securities and others	494,974	Repurchase agreements
	The Bank of Korea	4,847,855	Borrowings from the Bank of Korea
		3,948,622	Settlement risk of the Bank of Korea
	KB Securities Co., Ltd. and others	133,860	Derivatives transactions
	KB Insurance Co., Ltd. and others	121,880	Others
		9,547,191	
Loans	Others	9,659,575	Covered bond and others
Building / Land	Hanwha Life Insurance Co., Ltd. and others	227,414	Others
		24,581,085	



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		December 31, 2020	
Assets pledged	Pledgee	Carrying amount	Reasons of pledge
Securities measured at fair value through profit or loss	The Korea Exchange and others	210,171	Repurchase agreements
	Korea Securities Finance Corporation	52,842	Securities borrowing transactions
	Samsung Futures and others	11,225	Derivatives transactions
		<u>274,238</u>	
Securities measured at fair value through other comprehensive income	CITI Bank	149,633	Repurchase agreements
	The Bank of Korea	2,837,453	Borrowings from the Bank of Korea
		1,610,691	Settlement risk of the Bank of Korea
	JP Morgan Chase Bank and others	156,300	Derivatives transactions
	Others	4,036	Others
		<u>4,758,113</u>	
Securities measured at amortized cost	Meritz Securities and others	1,030,078	Repurchase agreements
	The Bank of Korea	4,295,149	Borrowings from the Bank of Korea
		3,677,922	Settlement risk of the Bank of Korea
	KB Securities Co., Ltd. and others	126,199	Derivatives transactions
	KB Insurance Co., Ltd. and others	151,796	Others
		<u>9,281,144</u>	
Mortgage loans	Others	10,699,720	Covered bond
Building / Land	Hanwha Life Insurance Co., Ltd. and others	228,995	Others
		<u>25,242,210</u>	

8.2 Fair value of collateral available to sell or repledge, and collateral sold or repledged, regardless of debtor's default as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021	
	Fair value of collateral held	Fair value of collateral sold or repledged
Securities	5,963,678	-

(In millions of Korean won)

	December 31, 2020	
	Fair value of collateral held	Fair value of collateral sold or repledged
Securities	2,969,616	-

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**9. Derivative Financial Instruments and Hedge Accounting**

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

9.1 Details of derivative financial instruments held for trading as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021			December 31, 2020		
	Notional Amount	Assets	Liabilities	Notional amount	Assets	Liabilities
<b>Interest rate</b>						
Forwards	738,589	24,928	296	90,000	3,355	-
Futures <sup>1</sup>	1,863,050	-	-	1,407,684	-	-
Swaps <sup>2</sup>	198,819,031	301,070	312,076	179,047,629	496,723	574,710
Options	11,657,000	172,060	195,666	13,779,000	246,707	297,442
	<u>213,077,670</u>	<u>498,058</u>	<u>508,038</u>	<u>194,324,313</u>	<u>746,785</u>	<u>872,152</u>
<b>Currency</b>						
Forwards	95,717,113	1,217,979	854,539	73,702,576	1,608,997	1,954,137
Futures <sup>1</sup>	-	-	-	27,381	-	-
Swaps	65,641,211	1,111,462	1,330,595	49,901,150	1,902,582	1,360,689
Options	2,051,034	7,643	13,376	2,377,775	33,421	28,012
	<u>163,409,358</u>	<u>2,337,084</u>	<u>2,198,510</u>	<u>126,008,882</u>	<u>3,545,000</u>	<u>3,342,838</u>
<b>Stock and index</b>						
Futures <sup>1</sup>	-	-	-	5,583	-	-
Options	355	17	-	664	44	-
	<u>355</u>	<u>17</u>	<u>-</u>	<u>6,247</u>	<u>44</u>	<u>-</u>
<b>Credit</b>						
Swaps	13,423	-	-	-	-	-
	<u>13,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Others</b>	94,300	43	393	74,300	-	107
	<u>376,595,106</u>	<u>2,835,202</u>	<u>2,706,941</u>	<u>320,413,742</u>	<u>4,291,829</u>	<u>4,215,097</u>

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

<sup>2</sup> Notional amounts of ₩ 158,974,418 million and ₩ 146,576,830 million as of December 31, 2021 and 2020, respectively, were traded through the central clearing house.

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9.2 Average price conditions of future nominal cash flows by type of hedge accounting as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021						
	1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
<b>Fair value hedge</b>							
Nominal amount of the hedging instrument	1,044,669	1,171,185	701,102	2,153,038	1,420,914	2,419,231	8,910,139
Average price condition (%), (CD and LIBOR)	0.94	1.23	1.04	1.16	1.06	1.39	1.18
<b>Cash flow hedge</b>							
Nominal amount of the hedging instrument	2,843,325	414,925	-	-	-	-	3,258,250
Average price condition (%), (CD and LIBOR)	0.93	0.76	-	-	-	-	0.91

(In millions of Korean won)

	December 31, 2020						
	1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
<b>Fair value hedge</b>							
Nominal amount of the hedging instrument	3,255,568	956,315	479,405	620,788	1,462,964	2,442,691	9,217,731
Average price condition (%), (CD and LIBOR)	0.76	0.80	1.00	1.07	1.21	1.14	0.97
<b>Cash flow hedge</b>							
Nominal amount of the hedging instrument	1,718,480	489,600	54,400	-	-	-	2,262,480
Average price condition (%), (CD and LIBOR)	0.72	1.17	0.96	-	-	-	0.82
<b>Hedge of net investments in foreign operations</b>							
Nominal amount of the hedging instrument	165,050	-	-	-	-	-	165,050
Average price condition (KRW/USD)	1,124.25	-	-	-	-	-	1,124.25

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9.3 Fair Value Hedge

9.3.1 Details of fair value hedged items as of December 31, 2021 and 2020 and changes in fair value for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		December 31, 2021				2021
Interest rate		Carrying amount		Accumulated amount of hedge adjustments		Changes in fair value
		Assets	Liabilities	Assets	Liabilities	
	Debt securities in Korean won	1,627,228	-	(20,272)	-	(21,071)
	Debt securities in foreign currencies	3,567,662	-	(12,505)	-	(71,246)
	Deposits in foreign currencies	-	93,521	-	(1,319)	3,222
	Debentures in Korean won	-	2,470,123	-	(79,877)	70,308
	Debentures in foreign currencies	-	1,154,178	-	27,953	45,132
		<u>5,194,890</u>	<u>3,717,822</u>	<u>(32,777)</u>	<u>(53,243)</u>	<u>26,345</u>

(In millions of Korean won)

		December 31, 2020				2020
Interest rate		Carrying amount		Accumulated amount of hedge adjustments		Changes in fair value
		Assets	Liabilities	Assets	Liabilities	
	Debt securities in Korean won	1,001,957	-	5,888	-	402
	Debt securities in foreign currencies	2,712,980	-	62,922	-	42,382
	Deposits in foreign currencies	-	121,768	-	2,088	(4,491)
	Debentures in Korean won	-	3,623,161	-	(6,839)	27,909
	Debentures in foreign currencies	-	1,985,333	-	81,333	(37,438)
		<u>3,714,937</u>	<u>5,730,262</u>	<u>68,810</u>	<u>76,582</u>	<u>28,764</u>

9.3.2 Details of derivative instruments designated as fair value hedge as of December 31, 2021 and 2020 and changes in fair value for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		December 31, 2021			2021
Interest rate		Notional amount	Assets	Liabilities	Changes in fair value
	Swaps	8,910,139	127,290	38,253	(33,228)

(In millions of Korean won)

		December 31, 2020			2020
Interest rate		Notional amount	Assets	Liabilities	Changes in fair value
	Swaps	9,217,731	158,914	51,841	(23,023)

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9.3.3 Details of hedge ineffectiveness recognized in profit or loss on derivative instruments designated as fair value hedge for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021	2020
Interest rate	(6,883)	5,742

9.3.4 Gains or losses on fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021	2020
Losses on hedging instruments	(12,657)	(8,214)
Gains on hedged items attributable to the hedged risk	13,056	13,811
	399	5,597

**9.4 Cash Flow Hedge**

9.4.1 Details of cash flow hedged items as of December 31, 2021 and 2020 and changes in fair value for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	Cash flow hedge reserve		Changes in fair value	
	December 31, 2021	December 31, 2020	2021	2020
Interest rate risk	(11,306)	(10,073)	(89)	10,701

9.4.2 Details of derivative instruments designated as cash flow hedge as of December 31, 2021 and 2020 and changes in fair value for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021			2021
	Notional amount	Assets	Liabilities	Changes in fair value
<b>Interest rate</b>				
Swaps	3,258,250	3,134	4,218	11,555

(In millions of Korean won)

	December 31, 2020			2020
	Notional amount	Assets	Liabilities	Changes in fair value
<b>Interest rate</b>				
Swaps	2,262,480	125	15,426	(10,492)

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9.4.3 Gains or losses on cash flow hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Gains (losses) on hedging instruments:	11,555	(10,492)
Effective portion of gains (losses) on cash flow hedging instruments (recognized in other comprehensive income or loss)	11,468	(10,553)
Ineffective portion of gains (losses) on cash flow hedging instruments (recognized in profit or loss)	87	61

9.4.4 Amounts recognized in other comprehensive income (loss) and reclassified from equity to profit or loss related to derivative instruments designated as cash flow hedge for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Other comprehensive income (loss)	11,468	(10,553)
Reclassification to profit or loss	2,303	1,750
Income tax effect	(3,787)	2,421
	<b>9,984</b>	<b>(6,382)</b>

9.4.5 As of December 31, 2021, the hedged items subject to cash flow hedge are exposed to the risk of changes in cash flows until August 11, 2023.

**9.5 Hedge of Net Investments in Foreign Operations**

9.5.1 Details of net investments in foreign operations hedged items as of December 31, 2021 and 2020 and changes in fair value for the years ended December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>Foreign currency translation reserve</b>		<b>Changes in fair value</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>2021</b>	<b>2020</b>
Currency risk	(30,306)	24,103	80,235	(84,600)

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9.5.2 Details of financial instruments designated as hedge of net investments in foreign operations as of December 31, 2021 and 2020 and changes in fair value for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>			<b>2021</b>
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Changes in fair value</b>
Currency forwards	-	-	-	-
Debentures in foreign currencies	1,273,227	-	1,273,227	(80,235)
	<u>1,273,227</u>	<u>-</u>	<u>1,273,227</u>	<u>(80,235)</u>

<i>(In millions of Korean won)</i>	<b>December 31, 2020</b>			<b>2020</b>
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Changes in fair value</b>
Currency forwards	165,050	5,800	-	10,237
Debentures in foreign currencies	842,112	-	842,112	74,363
	<u>1,007,162</u>	<u>5,800</u>	<u>842,112</u>	<u>84,600</u>

9.5.3 Fair value of non-derivative financial instruments designated as hedge of net investments in foreign operations as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Debentures in foreign currencies	1,275,291	852,570

9.5.4 Gains or losses on net investments in foreign operations hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Gains (losses) on hedging instruments:		
Effective portion of gains (losses) on hedge of net investments in foreign operations (recognized in other comprehensive income or loss)	(80,235)	84,600
Ineffective portion of gains (losses) on hedge of net investments in foreign operations (recognized in profit or loss)	(80,235)	84,600
	-	-

9.5.5 Effective portion of gains or losses on net investments in foreign operations hedging instruments recognized in other comprehensive income (loss) for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Other comprehensive income (loss)	(80,241)	84,592
Reclassification to profit or loss	5,195	-
Income tax effect	20,637	(23,263)
	<u>(54,409)</u>	<u>61,329</u>

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9.6 Interest Rate Benchmark Reform

The USD LIBOR interest rate will be replaced by the Secured Overnight Financing Rate ("SOFR") based on actual transactions. In the case of KRW, the Korean government bond/monetary stabilization bond RP rate has been finally decided as the Risk-Free Reference Rate ("RFR") and will replace the Certificate of Deposit ("CD") rate in the mid to long-term. Within the corresponding hedging relationship of related significant interest rate benchmark, the Group assumed that the spread to be changed on the RFR basis including SOFR would be similar to that included in the interest rate swap used as a hedging instrument, and no other changes were assumed.

Details of the Group's exposure to hedging relationships related to the interest rate benchmark reform as of December 31, 2021, are as follows:

(In millions of Korean won and millions of US dollars)

Interest rate benchmark	Currency	December 31, 2021		
		Carrying amount of non-derivative assets	Carrying amount of non-derivative liabilities	Notional amount of hedging instruments
CD#3M	KRW	3,123,388	2,470,123	5,690,000
USD#LIBOR#3M	USD	2,695	2,154	4,836
USD#LIBOR#6M	USD	224	-	225

**10. Loans Measured at Amortized Cost**

10.1 Details of loans as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021	December 31, 2020
Loans	363,049,216	328,978,696
Deferred loan origination fees and costs	522,425	540,610
Less: Allowances for credit losses	(2,426,940)	(2,186,811)
	<u>361,144,701</u>	<u>327,332,495</u>

10.2 Details of loans to banks as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021	December 31, 2020
Loans	8,325,177	5,577,728
Less: Allowances for credit losses	(443)	(683)
	<u>8,324,734</u>	<u>5,577,045</u>



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10.3 Details of loan types and customer types of loans to customers other than banks as of December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	December 31, 2021			
	Retail	Corporate	Credit card	Total
Loans in Korean won	170,760,821	148,957,704	-	319,718,525
Loans in foreign currencies	3,218,116	20,267,749	-	23,485,865
Domestic import usance bills	-	3,311,142	-	3,311,142
Off-shore funding loans	-	1,135,753	-	1,135,753
Call loans	-	902,301	-	902,301
Bills bought in Korean won	-	2,209	-	2,209
Bills bought in foreign currencies	-	2,001,046	-	2,001,046
Guarantee payments under acceptances and guarantees	-	20,773	-	20,773
Credit card receivables in foreign currencies	-	-	55,520	55,520
Bonds purchased under repurchase agreements	-	4,408,594	-	4,408,594
Privately placed bonds	-	204,736	-	204,736
	173,978,937	181,212,007	55,520	355,246,464
Proportion (%)	48.97	51.01	0.02	100.00
Less: Allowances for credit losses	(669,125)	(1,736,776)	(20,596)	(2,426,497)
	173,309,812	179,475,231	34,924	352,819,967

*(In millions of Korean won)*

	December 31, 2020			
	Retail	Corporate	Credit card	Total
Loans in Korean won	162,521,943	133,263,466	-	295,785,409
Loans in foreign currencies	2,713,408	15,442,088	-	18,155,496
Domestic import usance bills	-	2,152,059	-	2,152,059
Off-shore funding loans	-	1,258,137	-	1,258,137
Call loans	-	1,582,251	-	1,582,251
Bills bought in Korean won	-	1,620	-	1,620
Bills bought in foreign currencies	-	1,739,262	-	1,739,262
Guarantee payments under acceptances and guarantees	-	8,011	-	8,011
Credit card receivables in foreign currencies	-	-	60,959	60,959
Bonds purchased under repurchase agreements	-	2,468,380	-	2,468,380
Privately placed bonds	-	729,994	-	729,994
	165,235,351	158,645,268	60,959	323,941,578
Proportion (%)	51.01	48.97	0.02	100.00
Less: Allowances for credit losses	(618,831)	(1,564,199)	(3,098)	(2,186,128)
	164,616,520	157,081,069	57,861	321,755,450

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10.4 Changes in deferred loan origination fees and costs for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021				
	Beginning	Increase	Decrease	Others	Ending
<b>Deferred loan origination costs</b>					
Loans in Korean won	590,064	327,891	(334,478)	-	583,477
Others	569	51	(451)	(1)	168
	<u>590,633</u>	<u>327,942</u>	<u>(334,929)</u>	<u>(1)</u>	<u>583,645</u>
<b>Deferred loan origination fees</b>					
Loans in Korean won	6,998	5,479	(2,400)	(1)	10,076
Loans in foreign currencies and others	43,025	31,216	(26,717)	3,620	51,144
	<u>50,023</u>	<u>36,695</u>	<u>(29,117)</u>	<u>3,619</u>	<u>61,220</u>
	<u>540,610</u>	<u>291,247</u>	<u>(305,812)</u>	<u>(3,620)</u>	<u>522,425</u>

(In millions of Korean won)

	2020					
	Beginning	Increase	Decrease	Business combination	Others	Ending
<b>Deferred loan origination costs</b>						
Loans in Korean won	573,297	408,691	(391,924)	-	-	590,064
Others	914	417	(761)	-	(1)	569
	<u>574,211</u>	<u>409,108</u>	<u>(392,685)</u>	<u>-</u>	<u>(1)</u>	<u>590,633</u>
<b>Deferred loan origination fees</b>						
Loans in Korean won	6,135	3,812	(2,949)	-	-	6,998
Loans in foreign currencies and others	4,135	18,259	(23,388)	48,117	(4,098)	43,025
	<u>10,270</u>	<u>22,071</u>	<u>(26,337)</u>	<u>48,117</u>	<u>(4,098)</u>	<u>50,023</u>
	<u>563,941</u>	<u>387,037</u>	<u>(366,348)</u>	<u>(48,117)</u>	<u>4,097</u>	<u>540,610</u>

# Kookmin Bank and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2021 and 2020

#### 11. Allowances for Credit Losses

11.1 Changes in allowances for credit losses of loans for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021									
	Retail					Corporate				
	Lifetime					Lifetime				
	12-month expected credit losses	expected Non- impaired	expected credit losses	Impaired	Credit impaired approach	12-month expected credit losses	expected Non- impaired	expected credit losses	Impaired	Credit impaired approach
Beginning	270,545	177,665	170,621	-	-	333,135	388,522	843,225	-	-
Transfer between stages:										
Transfer to 12-month expected credit losses	118,301	(113,470)	(4,831)	-	-	133,653	(71,680)	(61,973)	-	-
Transfer to lifetime expected credit losses (non-impaired)	(91,250)	100,691	(9,441)	-	-	(71,169)	91,380	(20,211)	-	-
Transfer to lifetime expected credit losses (impaired)	(4,370)	(42,616)	46,986	-	-	(2,894)	(41,657)	44,551	-	-
Write-offs	-	12	(230,859)	-	-	-	(3)	(237,343)	-	-
Sales	(1,100)	(33)	(975)	-	-	(5)	-	(15,662)	-	-
Provision (reversal) for credit losses <sup>1,2</sup>	6,837	51,691	221,946	-	-	(35,521)	87,382	334,073	-	-
Others (exchange differences, etc.)	70	519	2,186	-	-	9,101	674	29,641	-	-
Ending <sup>3</sup>	299,033	174,459	195,633	-	-	366,300	454,618	916,301	-	-
									1,078	19,518

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(In millions of Korean won)

	2020									
	Retail					Corporate				
	Lifetime					Lifetime				
	12-month expected credit losses	Non- impaired	expected credit losses	Impaired	Credit impaired approach	12-month expected credit losses	Non- impaired	expected credit losses	Impaired	Credit impaired approach
Beginning	179,286	176,857	118,428	-	-	194,520	260,784	406,086	-	-
Transfer between stages:										
Transfer to 12-month expected credit losses	117,689	(116,781)	(908)	-	-	114,049	(106,046)	(8,003)	-	(14)
Transfer to lifetime expected credit losses (non-impaired)	(85,474)	168,863	(83,389)	-	-	(55,506)	145,541	(90,035)	-	-
Transfer to lifetime expected credit losses (impaired)	(1,513)	(123,252)	124,765	-	-	(3,254)	(48,710)	51,964	-	6
Write-offs	-	(5)	(326,840)	-	-	-	(1)	(320,375)	-	(1,746)
Sales	(1,540)	(19)	(1,106)	-	-	(9)	-	(21,005)	-	-
Provision (reversal) for credit losses <sup>1,2</sup>	17,730	64,548	296,963	-	-	(11,787)	114,375	175,556	-	394
Business combination	46,413	7,821	46,413	-	-	99,824	24,303	668,426	-	4,409
Others (exchange differences, etc.)	(2,046)	(367)	(3,705)	-	-	(4,702)	(1,724)	(19,389)	-	(25)
Ending <sup>3</sup>	270,545	177,665	170,621	-	-	333,135	388,522	843,225	-	3,024

<sup>1</sup> Provision (reversal) for credit losses in the consolidated statements of comprehensive income also includes provision (reversal) for credit losses of unused commitments, acceptances and guarantees (Note 22.2), provision (reversal) for credit losses of financial guarantee contracts (Note 22.4), provision (reversal) for credit losses of other financial assets (Note 18.2), provision (reversal) for credit losses of due from financial institutions (Note 7.3) and provision (reversal) for credit losses of debt securities (Note 12.5).

<sup>2</sup> Includes ₩ 230,758 million and ₩ 230,447 million of collections from written-off loans for the years ended December 31, 2021 and 2020, respectively.

<sup>3</sup> Includes additional allowances of ₩ 50,360 million and ₩ 43,777 million for industries and borrowers which are highly affected by COVID-19 and ₩ 17,801 million and ₩ 19,494 million due to expanding the scope of the loans subject to lifetime expected credit losses (non-impaired) as of December 31, 2021 and 2020, respectively. Includes additional allowances of ₩ 18,625 million due to expanding the scope of the loans subject to individual assessment as of December 31, 2020.

The Group manages the written-off loans that their legal extinctive prescriptions have not been completed, and that have not been collected. The balances of those loans are ₩ 7,939,987 million and ₩ 8,254,890 million as of December 31, 2021 and 2020, respectively.

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11.2 Changes in gross carrying amount of loans for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach
		Non- impaired	Impaired	
Beginning	302,701,700	24,106,892	2,710,714	-
Transfer between stages:				
Transfer to 12-month expected credit losses	30,120,605	(29,694,039)	(426,566)	-
Transfer to lifetime expected credit losses (non-impaired)	(34,694,281)	35,139,427	(445,146)	-
Transfer to lifetime expected credit losses (impaired)	(520,253)	(1,373,673)	1,893,926	-
Write-offs	-	10	(487,127)	-
Sales	(2,755,184)	(7,780)	(136,052)	-
Net increase (decrease) (execution, repayment, and others)	39,572,031	(1,785,994)	(347,569)	-
Ending	334,424,618	26,384,843	2,762,180	-

(In millions of Korean won)

	2020			
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired approach
		Non- impaired	Impaired	
Beginning	274,457,085	19,198,678	1,211,631	-
Transfer between stages:				
Transfer to 12-month expected credit losses	25,096,700	(24,979,358)	(117,342)	-
Transfer to lifetime expected credit losses (non-impaired)	(31,612,866)	32,727,302	(1,114,436)	-
Transfer to lifetime expected credit losses (impaired)	(399,136)	(2,155,447)	2,554,583	-
Write-offs	-	(6)	(648,961)	-
Sales	(4,323,388)	(17,860)	(198,254)	-
Business combination	6,105,441	546,313	1,696,366	-
Net increase (decrease) (execution, repayment, and others)	33,377,864	(1,212,730)	(672,873)	-
Ending	302,701,700	24,106,892	2,710,714	-

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

12.1 Details of financial assets at fair value through profit or loss and financial investments as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Financial assets at fair value through profit or loss</b>		
Debt securities:		
Government and public bonds	2,690,148	3,131,473
Financial bonds	7,710,531	6,884,798
Corporate bonds	1,804,306	1,716,852
Asset-backed securities	197,865	210,686
Beneficiary certificates	4,634,210	2,999,772
Investment funds	378,712	303,157
Derivative-linked securities	-	85,021
Other debt securities	1,097,316	376,083
Equity securities:		
Stocks	113,724	205,794
Loans:		
Other loans	93,930	38,756
Others:		
Financial instruments indexed to the price of gold	113,622	89,965
	<u>18,834,364</u>	<u>16,042,357</u>
<b>Financial investments</b>		
Financial assets at fair value through other comprehensive income		
Debt securities:		
Government and public bonds	6,147,357	5,952,887
Financial bonds	18,681,163	19,622,246
Corporate bonds	12,529,985	12,832,053
Asset-backed securities	782,401	1,553,489
Equity securities:		
Stocks	3,144,131	2,466,553
Equity investments	25,669	36,061
Loans:		
Privately placed bonds	269,609	234,780
	<u>41,580,315</u>	<u>42,698,069</u>
Financial assets at amortized cost		
Debt securities:		
Government and public bonds	5,742,284	2,182,128
Financial bonds	3,376,623	5,188,916
Corporate bonds	6,358,169	2,592,834
Asset-backed securities	6,659,710	5,596,461
Other debt securities	31,106	30,392
Less: Allowances for credit losses	(3,298)	(2,318)
	<u>22,164,594</u>	<u>15,588,413</u>
	<u>63,744,909</u>	<u>58,286,482</u>

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12.2 Dividend income from equity securities designated at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		2021		2020	
		From the equity securities derecognized	From the equity securities held	From the equity securities derecognized	From the equity securities held
Stocks	Listed	7,106	300	7,000	11,843
	Unlisted	372	10,148	-	10,706
Equity investments		-	-	-	285
		7,478	10,448	7,000	22,834

12.3 Derecognized equity securities measured at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		2021		2020	
		Disposal price *	Accumulated other comprehensive loss as of disposal date	Disposal price *	Accumulated other comprehensive income as of disposal date
Stocks	Listed	575,288	(319,162)	516,883	326,394
	Unlisted	458	(162)	13	13
Equity investments		-	-	3	3
		575,746	(319,324)	516,899	326,410

\* The stocks were disposed of according to the stock price increase and joint sale resolution.

12.4 Provision (reversal) for credit losses of financial investments for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		2021		
		Provision	Reversal	Total
Financial assets at fair value through other comprehensive income		6,190	(384)	5,806
Securities measured at amortized cost		1,628	(662)	966
		7,818	(1,046)	6,772

(In millions of Korean won)

		2020		
		Provision	Reversal	Total
Financial assets at fair value through other comprehensive income		3,289	(540)	2,749
Securities measured at amortized cost		1,713	(636)	1,077
		5,002	(1,176)	3,826

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12.5 Changes in allowances for credit losses of financial investments for the years ended December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>12-month expected credit losses</b>	<b>2021</b>	
		<b>Lifetime expected credit losses</b>	
		<b>Non-impaired</b>	<b>Impaired</b>
Beginning	6,986	39	-
Transfer between stages:			
Transfer to 12-month expected credit losses	-	-	-
Transfer to lifetime expected credit losses	-	-	-
Sales	(1,567)	(4)	-
Provision (reversal) for credit losses	6,784	(12)	-
Others (exchange differences, etc.)	(34)	4	-
Ending	12,169	27	-

*(In millions of Korean won)*

	<b>12-month expected credit losses</b>	<b>2020</b>	
		<b>Lifetime expected credit losses</b>	
		<b>Non-impaired</b>	<b>Impaired</b>
Beginning	3,821	-	-
Transfer between stages:			
Transfer to 12-month expected credit losses	-	-	-
Transfer to lifetime expected credit losses	-	-	-
Sales	(589)	-	-
Provision for credit losses	3,787	39	-
Others (exchange differences, etc.)	(33)	-	-
Ending	6,986	39	-



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**13. Investments in Associates**

13.1 Details of investments in associates as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Korea Credit Bureau Co., Ltd. <sup>1</sup>	9.00	4,500	4,497	4,497	Credit information	Korea
Balhae Infrastructure Company <sup>1</sup>	12.61	105,923	99,785	99,785	Investment finance	Korea
Incheon Bridge Co., Ltd. <sup>1</sup>	14.99	9,159	(19,481)	-	Operation of highways and related facilities	Korea
KB SPROTT Renewable Private Equity Fund No.1	30.00	4,613	3,726	3,726	Investment finance	Korea
KB Digital Innovation & Growth New Technology Business Investment Fund	45.00	4,500	4,098	4,098	Discovery of and investment in promising FinTech-business venture	Korea
KB Digital Platform Fund	46.67	12,600	12,599	12,599	Digital platform and Tech-based investment in promising companies	Korea
Future Planning KB Start-up Creation Fund	50.00	3,900	10,275	10,275	Investment finance	Korea
KB High-tech Company Investment Fund	50.00	1,500	10,493	10,493	Investment finance	Korea
Aju Good Technology Venture Fund	38.47	12,344	22,926	22,921	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund	33.33	4,400	5,895	5,895	Investment finance	Korea
KB-TS Technology Venture Private Equity Fund	30.00	7,650	9,015	9,015	Investment finance	Korea
KB Intellectual Property Fund No.2	37.50	15,000	13,838	14,588	Investment finance	Korea
KB Digital Innovation Investment Fund Limited Partnership	25.74	35,000	35,517	35,517	Investment finance	Korea
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	21.28	13,000	14,834	14,834	Investment finance	Korea
KB Global Platform Fund	22.73	42,000	49,946	49,946	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund	29.53	14,250	13,982	13,982	Investment finance	Korea
WJ Private Equity Fund No.1	26.95	10,000	9,604	9,604	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	28.57	10,000	9,571	9,571	Investment finance	Korea
KB Smart Scale Up Fund	25.00	31,000	31,217	31,217	Investment finance	Korea
KB Bio Global Expansion Private Equity Fund No.1	26.32	10,000	9,978	9,978	Investment finance	Korea
KB-KTB Technology Venture Fund	27.27	3,000	2,975	2,975	Investment finance	Korea
KB-SOLIDUS Healthcare Investment Fund	29.41	600	600	600	Investment finance	Korea
KB New Deal Innovation Fund	20.00	4,000	3,991	3,991	Investment finance	Korea
All Together Korea Fund No.2 <sup>2</sup>	99.99	10,000	10,070	10,070	Asset management	Korea
Shinla Construction Co., Ltd. <sup>3</sup>	20.17	-	(551)	-	Specialty construction	Korea
Terra Corporation <sup>3</sup>	24.06	-	2	-	Manufacture of fabricated and processed metal products	Korea
MJT&I Corp. <sup>3</sup>	22.89	-	(881)	-	Wholesale of other merchandise	Korea

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Jungdong Steel Co., Ltd. <sup>3</sup>	42.65	-	(433)	- Wholesale of primary metal	Korea
DSMETAL Co., Ltd. <sup>3</sup>	26.49	-	(100)	- Manufacture of metal door, windows, shutter and relevant products	Korea
Shinhwa Underwear Co., Ltd. <sup>3</sup>	26.05	-	(41)	198 Manufacture of underwear and sleepwear	Korea
Jaeyang Industry Co., Ltd. <sup>3</sup>	20.86	-	(552)	- Manufacture of luggage and other protective cases	Korea
Kendae Co., Ltd. <sup>3</sup>	41.01	-	(252)	98 Screen printing	Korea
Jinseung Tech Co., Ltd. <sup>3</sup>	30.04	-	(206)	- Manufacture of other general-purpose machinery	Korea
Dongjo Co., Ltd. <sup>3</sup>	29.29	-	712	21 Wholesale of agricultural and forestry machinery and equipment	Korea
Korea NM Tech Co., Ltd. <sup>3</sup>	22.41	-	552	- Manufacture of motor vehicles, trailers and semitrailers	Korea
Jungdo Co., Ltd. <sup>3</sup>	25.34	-	1,105	- Office, commercial and institutional building construction	Korea
Dae-A Leisure Co., Ltd. <sup>3</sup>	49.36	-	833	- Earth works	Korea
Chongil Machine & Tools Co., Ltd. <sup>3</sup>	20.40	-	(171)	- Wholesale of machinery and equipment	Korea
Imt Technology Co., Ltd. <sup>3</sup>	25.29	-	25	6 Computer Peripherals Distribution	Korea
Iwon Alloy Co., Ltd. <sup>3</sup>	23.20	-	394	- Manufacture of smelting, refining and alloys	Korea
Carlfe Co., Ltd. <sup>3</sup>	24.39	-	(62)	13 Publishing of magazines and periodicals (publishing industry)	Korea
Computerlife Co., Ltd. <sup>3</sup>	25.41	-	(137)	44 Publishing of magazines and periodicals (publishing industry)	Korea
Skydigital Inc. <sup>3</sup>	20.40	-	(316)	- Manufacture of multimedia and video devices	Korea
Jo Yang Industrial Co., Ltd. <sup>3</sup>	22.77	-	(29)	- Manufacture of special glass	Korea
Il-Kwang Electronic Materials Co., Ltd. <sup>3</sup>	29.06	-	(557)	- Manufacture of electronic parts	Korea
So-Myung Recycling Co., Ltd. <sup>3</sup>	20.23	-	215	31 Manufacture of nonferrous metal	Korea
IDTECK Co., Ltd. <sup>3</sup>	20.54	-	(208)	- Other manufacturing of wireless telecommunications equipment	Korea
PIP System Co., Ltd. <sup>3</sup>	20.72	-	27	- Print equipment	Korea
Gwang Myung Paper Co., Ltd. <sup>3</sup>	20.54	-	84	- Wholesale of luggage and other protective cases	Korea
D-Partner <sup>3</sup>	20.94	-	816	369 Backlight film	Korea
Inter Shipping Co., Ltd. <sup>3</sup>	42.09	-	(17)	- Sea freight water transport	Korea
Chunsung-meat Co., Ltd. <sup>3</sup>	26.74	-	270	- Wholesale of meat	Korea
DS Fashionbiz Co., Ltd. <sup>3</sup>	47.64	-	(1)	- Manufacture of textiles	Korea
			<u>368,939</u>	<u>370,472</u>	<u>390,957</u>

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	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Korea Credit Bureau Co., Ltd. <sup>1</sup>	9.00	4,500	7,153	7,153	Credit information	Korea
Balhae Infrastructure Company <sup>1</sup>	12.61	106,107	106,625	106,625	Investment finance	Korea
KB GwS Private Securities Investment Trust	20.93	89,124	111,772	111,772	Investment finance	Korea
Incheon Bridge Co., Ltd. <sup>1</sup>	14.99	9,159	(18,100)	-	Operation of highways and related facilities	Korea
KB SPROTT Renewable Private Equity Fund No.1	30.00	4,613	4,020	4,020	Investment finance	Korea
KB Digital Innovation & Growth New Technology Business Investment Fund	45.00	3,375	3,051	3,051	Discovery of and investment in promising FinTech- business venture	Korea
Future Planning KB Start-up Creation Fund	50.00	6,700	12,324	12,324	Investment finance	Korea
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2	20.00	7,792	7,876	7,876	Investment finance	Korea
KB High-tech Company Investment Fund	50.00	4,800	19,962	19,962	Investment finance	Korea
Aju Good Technology Venture Fund	38.47	17,113	21,353	21,348	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund	33.33	6,800	8,021	8,021	Investment finance	Korea
KB-TS Technology Venture Private Equity Fund	30.00	8,880	9,445	9,445	Investment finance	Korea
KB Intellectual Property Fund No.2	37.50	15,000	14,367	15,000	Investment finance	Korea
KB Digital Innovation Investment Fund Limited Partnership	25.74	35,000	32,999	34,749	Investment finance	Korea
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	21.28	13,400	13,756	13,756	Investment finance	Korea
KB Global Platform Fund	22.73	28,500	25,507	28,007	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund	29.53	11,610	11,332	11,332	Investment finance	Korea
WJ Private Equity Fund No.1	26.95	10,000	9,711	9,711	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	28.57	2,500	2,493	2,493	Investment finance	Korea
KB Smart Scale Up Fund	25.00	4,000	3,993	3,993	Investment finance	Korea
All Together Korea Fund No.2 <sup>2</sup>	99.99	10,000	10,023	10,023	Asset management	Korea
Shinla Construction Co., Ltd. <sup>3</sup>	20.17	-	(551)	-	Specialty construction	Korea
Terra Corporation <sup>3</sup>	24.06	-	2	-	Manufacture of fabricated and processed metal products	Korea
MJT&I Corp. <sup>3</sup>	22.89	-	(615)	113	Wholesale of other merchandise	Korea
Jungdong Steel Co., Ltd. <sup>3</sup>	42.65	-	(433)	-	Wholesale of primary metal	Korea
DSMETAL Co., Ltd. <sup>3</sup>	26.49	-	(62)	-	Manufacture of metal door, windows, shutter and relevant products	Korea
Shinhwa Underwear Co., Ltd. <sup>3</sup>	26.05	-	(18)	222	Manufacture of underwear and sleepwear	Korea
DPAPS Co., Ltd. <sup>3</sup>	38.62	-	(19)	-	Wholesale of paper	Korea
Jaeyang Industry Co., Ltd. <sup>3</sup>	20.86	-	(552)	-	Manufacture of luggage and	Korea

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				other protective cases	
Kendae Co., Ltd. <sup>3</sup>	41.01	-	(252)	98 Screen printing	Korea
Jinseung Tech Co., Ltd. <sup>3</sup>	30.04	-	(194)	- Manufacture of other general-purpose machinery	Korea
Dongjo Co., Ltd. <sup>3</sup>	29.29	-	709	18 Wholesale of agricultural and forestry machinery and equipment	Korea
Korea NM Tech Co., Ltd. <sup>3</sup>	22.41	-	552	- Manufacture of motor vehicles, trailers and semitrailers	Korea
Jungdo Co., Ltd. <sup>3</sup>	25.34	-	1,342	- Office, commercial and institutional building construction	Korea
Dae-A Leisure Co., Ltd. <sup>3</sup>	49.36	-	1,184	149 Earth works	Korea
Chongil Machine & Tools Co., Ltd. <sup>3</sup>	20.40	-	(126)	- Wholesale of machinery and equipment	Korea
Imt Technology Co., Ltd. <sup>3</sup>	25.29	-	16	- Computer Peripherals Distribution	Korea
Iwon Alloy Co., Ltd. <sup>3</sup>	23.20	-	394	- Manufacture of smelting, refining and alloys	Korea
Carlife Co., Ltd. <sup>3</sup>	24.39	-	(64)	11 Publishing of magazines and periodicals (publishing industry)	Korea
Computerlife Co., Ltd. <sup>3</sup>	25.41	-	(132)	48 Publishing of magazines and periodicals (publishing industry)	Korea
Skydigital Inc. <sup>3</sup>	20.40	-	(248)	- Manufacture of multimedia and video devices	Korea
Jo Yang Industrial Co., Ltd. <sup>3</sup>	22.77	-	(21)	- Manufacture of special glass	Korea
Il-Kwang Electronic Materials Co., Ltd. <sup>3</sup>	29.06	-	(398)	- Manufacture of electronic parts	Korea
So-Myung Recycling Co., Ltd. <sup>3</sup>	20.23	-	189	5 Manufacture of nonferrous metal	Korea
IDTECK Co., Ltd. <sup>3</sup>	32.80	-	(280)	- Other manufacturing of wireless telecommunications equipment	Korea
PIP System Co., Ltd. <sup>3</sup>	20.72	-	27	- Print equipment	Korea
Neomio Corp. <sup>3</sup>	21.34	-	(69)	- Wholesale of household packing	Korea
Gwang Myung Paper Co., Ltd. <sup>3</sup>	20.54	-	84	- Wholesale of luggage and other protective cases	Korea
D-Partner <sup>3</sup>	20.94	-	447	- Backlight film	Korea
			<u>398,973</u>	<u>418,595</u>	<u>441,325</u>

<sup>1</sup> As of December 31, 2021 and 2020, the Group can exercise significant influence on the decision-making processes of the associate's financial and business policies through participation in governing bodies.

<sup>2</sup> As of December 31, 2021 and 2020, the Group participates in the investment management committee but cannot exercise control.

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

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Although the Group holds 20% or more of the ownership in several investment trusts including KB Hanbando BTL Private Special Asset Fund No.1, those investment trusts are excluded from associates because the Group's influence on those trusts is limited according to the trust agreement. In addition, the Group holds 20% or more of its ownership in Orient shipyard Co., Ltd. and seven other companies, but those companies are excluded from associates, because the Group's influence on those companies is limited due to the status of those companies such as bankruptcy and rehabilitation proceedings.

13.2 Condensed financial information, adjustments to the carrying amount, and dividend from major investments in associates as of and for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021 *						
	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains (losses) and others	Carrying amount
Korea Credit Bureau Co., Ltd.	128,297	78,328	10,000	49,969	4,497	-	4,497
Balhae Infrastructure Company	853,961	62,336	840,323	791,625	99,785	-	99,785
Incheon Bridge Co., Ltd.	560,570	690,530	61,096	(129,960)	(19,481)	19,481	-
KB SPROTT Renewable Private Equity Fund No.1	13,886	1,467	15,376	12,419	3,726	-	3,726
KB Digital Innovation & Growth New Technology Business Investment Fund	9,107	-	10,000	9,107	4,098	-	4,098
KB Digital Platform Fund	27,000	2	27,000	26,998	12,599	-	12,599
Future Planning KB Start-up Creation Fund	23,058	2,508	7,800	20,550	10,275	-	10,275
KB High-tech Company Investment Fund	23,722	2,736	3,000	20,986	10,493	-	10,493
Aju Good Technology Venture Fund	64,303	4,703	32,100	59,600	22,926	(5)	22,921
KB-KDBC Pre-IPO New Technology Business Investment Fund	18,069	385	13,200	17,684	5,895	-	5,895
KB-TS Technology Venture Private Equity Fund	35,280	5,229	25,500	30,051	9,015	-	9,015
KB Intellectual Property Fund No.2	38,307	1,406	40,000	36,901	13,838	750	14,588
KB Digital Innovation Investment Fund Limited Partnership	138,678	667	136,000	138,011	35,517	-	35,517
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	69,943	221	61,100	69,722	14,834	-	14,834
KB Global Platform Fund	222,749	2,987	184,800	219,762	49,946	-	49,946
KB-UTC Inno-Tech Venture Fund	47,848	497	48,260	47,351	13,982	-	13,982
WJ Private Equity Fund No.1	35,799	170	37,100	35,629	9,604	-	9,604
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	33,499	-	35,000	33,499	9,571	-	9,571

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KB Smart Scale Up Fund	124,924	55	124,000	124,869	31,217	-	31,217
KB Bio Global Expansion Private Equity Fund No.1	38,031	115	38,000	37,916	9,978	-	9,978
KB-KTB Technology Venture Fund	11,008	101	11,000	10,907	2,975	-	2,975
KB-SOLIDUS Healthcare Investment Fund	2,040	-	2,040	2,040	600	-	600
KB New Deal Innovation Fund	20,006	52	20,000	19,954	3,991	-	3,991
All Together Korea Fund No.2	10,072	1	10,001	10,071	10,070	-	10,070

(In millions of Korean won)

	2021 *				
	Operating revenue	Net profit (loss)	Other comprehensive income	Total comprehensive income (loss)	Dividends
Korea Credit Bureau Co., Ltd.	128,150	(27,327)	-	(27,327)	90
Balhae Infrastructure Company	97,833	19,559	-	19,559	9,121
Incheon Bridge Co., Ltd.	84,068	(16,219)	-	(16,219)	-
KB SPROTT Renewable Private Equity Fund No.1	-	(983)	-	(983)	-
KB Digital Innovation & Growth New Technology Business Investment Fund	3	(174)	-	(174)	-
KB Digital Platform Fund	-	(2)	-	(2)	-
Future Planning KB Start-up Creation Fund	1,941	1,502	-	1,502	-
KB High-tech Company Investment Fund	8,372	3,962	-	3,962	8,150
Aju Good Technology Venture Fund	22,486	15,407	-	15,407	-
KB-KDBC Pre-IPO New Technology Business Investment Fund	530	120	-	120	-
KB-TS Technology Venture Private Equity Fund	2,094	(1,151)	-	(1,151)	-
KB Intellectual Property Fund No.2	1,102	(1,411)	-	(1,411)	-
KB Digital Innovation Investment Fund Limited Partnership	19,411	9,786	-	9,786	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	14,244	8,495	-	8,495	-
KB Global Platform Fund	61,830	48,130	-	48,130	-
KB-UTC Inno-Tech Venture Fund	1,080	32	-	32	-
WJ Private Equity Fund No.1	291	(398)	-	(398)	-
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	716	(808)	(667)	(1,475)	-
KB Smart Scale Up Fund	4,221	897	-	897	-
KB Bio Global Expansion Private Equity Fund No.1	91	(84)	-	(84)	-
KB-KTB Technology Venture Fund	8	(93)	-	(93)	-
KB New Deal Innovation Fund	6	(46)	-	(46)	-
All Together Korea Fund No.2	53	47	-	47	-

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	December 31, 2020 *						
	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains (losses) and others	Carrying amount
Korea Credit Bureau Co., Ltd.	117,077	37,599	10,000	79,478	7,153	-	7,153
Balhae Infrastructure Company	847,758	1,870	841,784	845,888	106,625	-	106,625
KB GwS Private Securities Investment Trust	534,764	741	425,814	534,023	111,772	-	111,772
Incheon Bridge Co., Ltd.	579,387	700,134	61,096	(120,747)	(18,100)	18,100	-
KB SPROTT Renewable Private Equity Fund No.1	13,896	497	15,376	13,399	4,020	-	4,020
KB Digital Innovation & Growth New Technology Business Investment Fund	6,782	1	7,500	6,781	3,051	-	3,051
Future Planning KB Start-up Creation Fund	27,224	2,576	13,400	24,648	12,324	-	12,324
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2	42,585	3,205	38,960	39,380	7,876	-	7,876
KB High-tech Company Investment Fund	40,597	673	9,600	39,924	19,962	-	19,962
Aju Good Technology Venture Fund	57,776	2,265	44,500	55,511	21,353	(5)	21,348
KB-KDBC Pre-IPO New Technology Business Investment Fund	24,655	592	20,400	24,063	8,021	-	8,021
KB-TS Technology Venture Private Equity Fund	34,972	3,490	29,600	31,482	9,445	-	9,445
KB Intellectual Property Fund No.2	38,926	614	40,000	38,312	14,367	633	15,000
KB Digital Innovation Investment Fund Limited Partnership	130,952	2,728	136,000	128,224	32,999	1,750	34,749
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	64,968	313	62,980	64,655	13,756	-	13,756
KB Global Platform Fund	115,243	3,011	125,400	112,232	25,507	2,500	28,007
KB-UTC Inno-Tech Venture Fund	38,585	206	39,319	38,379	11,332	-	11,332
WJ Private Equity Fund No.1	36,197	170	37,100	36,027	9,711	-	9,711
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	8,724	-	8,750	8,724	2,493	-	2,493
KB Smart Scale Up Fund	16,000	29	16,000	15,971	3,993	-	3,993
All Together Korea Fund No.2	10,025	1	10,001	10,024	10,023	-	10,023

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	2020 *				
	Operating revenue	Net profit (loss)	Other comprehensive income	Total comprehensive income (loss)	Dividends
Korea Credit Bureau Co., Ltd.	107,810	13,391	-	13,391	90
Balhae Infrastructure Company	63,781	89,757	-	89,757	6,973
KB GwS Private Securities Investment Trust	48,501	47,520	-	47,520	7,453
Incheon Bridge Co., Ltd.	70,345	(23,200)	-	(23,200)	-
KB SPROTT Renewable Private Equity Fund No.1	1	(991)	-	(991)	-
KB Digital Innovation & Growth New Technology Business Investment Fund	4	(250)	21	(229)	-
Future Planning KB Start-up Creation Fund	4,765	1,006	-	1,006	-
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2	1,629	626	-	626	-
KB High-tech Company Investment Fund	8,183	3,216	-	3,216	5,000
Aju Good Technology Venture Fund	8,685	2,815	-	2,815	-
KB-KDBC Pre-IPO New Technology Business Investment Fund	5,151	4,421	-	4,421	-
KB-TS Technology Venture Private Equity Fund	5,342	4,051	-	4,051	-
KB Intellectual Property Fund No.2	970	(392)	-	(392)	-
KB Digital Innovation Investment Fund Limited Partnership	4,376	(4,553)	-	(4,553)	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	5,257	3,013	-	3,013	-
KB Global Platform Fund	57	(9,995)	-	(9,995)	-
KB-UTC Inno-Tech Venture Fund	-	(866)	-	(866)	-
WJ Private Equity Fund No.1	2	(1,073)	-	(1,073)	-
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	1	(26)	-	(26)	-
KB Smart Scale Up Fund	1	(28)	-	(28)	-
All Together Korea Fund No.2	187	150	-	150	-

\* The condensed financial information of the associates is adjusted to reflect adjustments, such as fair value adjustments recognized at the time of acquisition and adjustments for differences in accounting policies.



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13.3 Changes in carrying amount of investments in associates for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021						
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income (loss)	Ending
Korea Credit Bureau Co., Ltd.	7,153	-	-	(90)	(2,566)	-	4,497
Balhae Infrastructure Company	106,625	279	(463)	(9,121)	2,465	-	99,785
KB GwS Private Securities Investment Trust	111,772	-	(111,772)	-	-	-	-
Incheon Bridge Co., Ltd.	-	-	-	-	-	-	-
KB SPROTT Renewable Private Equity Fund No.1	4,020	-	-	-	(294)	-	3,726
KB Digital Innovation & Growth New Technology Business Investment Fund	3,051	1,125	-	-	(78)	-	4,098
KB Digital Platform Fund	-	12,600	-	-	(1)	-	12,599
Future Planning KB Start-up Creation Fund	12,324	-	(2,800)	-	751	-	10,275
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2	7,876	-	(7,780)	(1,696)	1,600	-	-
KB High-tech Company Investment Fund	19,962	-	(3,300)	(8,150)	1,981	-	10,493
Aju Good Technology Venture Fund	21,348	-	(4,769)	-	6,342	-	22,921
KB-KDBC Pre-IPO New Technology Business Investment Fund	8,021	-	(2,400)	-	274	-	5,895
KB-TS Technology Venture Private Equity Fund	9,445	1,650	(2,880)	-	800	-	9,015
KB Intellectual Property Fund No.2	15,000	-	-	-	(412)	-	14,588
KB Digital Innovation Investment Fund Limited Partnership	34,749	-	-	-	768	-	35,517
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	13,756	5,000	(5,400)	-	1,478	-	14,834
KB Global Platform Fund	28,007	13,500	-	-	8,439	-	49,946
KB-UTC Inno-Tech Venture Fund	11,332	3,390	(750)	-	10	-	13,982
WJ Private Equity Fund No.1	9,711	-	-	-	(107)	-	9,604
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	2,493	7,500	-	-	(231)	(191)	9,571
KB Smart Scale Up Fund	3,993	27,000	-	-	224	-	31,217
KB Bio Global Expansion Private Equity Fund No.1	-	10,000	-	-	(22)	-	9,978
KB-KTB Technology Venture Fund	-	3,000	-	-	(25)	-	2,975
KB-SOLIDUS Healthcare Investment Fund	-	600	-	-	-	-	600

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KB New Deal Innovation Fund	-	4,000	-	-	(9)	-	3,991
All Together Korea Fund No.2	10,023	-	-	-	47	-	10,070
Shinla Construction Co., Ltd.	-	-	-	-	-	-	-
Terra Corporation	-	-	-	-	-	-	-
MJT&I Corp.	113	-	-	-	(113)	-	-
Jungdong Steel Co., Ltd.	-	-	-	-	-	-	-
DSMETAL Co., Ltd.	-	-	-	-	-	-	-
Shinhwa Underwear Co., Ltd.	222	-	-	-	(24)	-	198
DPAPS Co., Ltd.	-	-	-	-	-	-	-
Jaeyang Industry Co., Ltd.	-	-	-	-	-	-	-
Kendae Co., Ltd.	98	-	-	-	-	-	98
Jinseung Tech Co., Ltd.	-	-	-	-	-	-	-
Dongjo Co., Ltd.	18	-	-	-	3	-	21
Korea NM Tech Co., Ltd.	-	-	-	-	-	-	-
Jungdo Co., Ltd.	-	-	-	-	-	-	-
Dae-A Leisure Co., Ltd.	149	-	-	-	(149)	-	-
Chongil Machine & Tools Co., Ltd.	-	-	-	-	-	-	-
Imt Technology Co., Ltd.	-	-	-	-	6	-	6
Iwon Alloy Co., Ltd.	-	-	-	-	-	-	-
Carlfe Co., Ltd.	11	-	-	-	2	-	13
Computerlife Co., Ltd.	48	-	-	-	(4)	-	44
Skydigital Inc.	-	-	-	-	-	-	-
Jo Yang Industrial Co., Ltd.	-	-	-	-	-	-	-
Il-Kwang Electronic Materials Co., Ltd.	-	-	-	-	-	-	-
So-Myung Recycling Co., Ltd.	5	-	-	-	26	-	31
IDTECK Co., Ltd.	-	-	-	-	-	-	-
PIP System Co., Ltd.	-	-	-	-	-	-	-
Neomio Corp.	-	-	-	-	-	-	-
Gwang Myung Paper Co., Ltd.	-	-	-	-	-	-	-
D-Partner	-	-	-	-	(49)	418	369
Inter Shipping Co., Ltd.	-	-	-	-	-	-	-
Chunsung-meat Co., Ltd.	-	-	-	-	-	-	-
DS Fashionbiz Co., Ltd.	-	-	-	-	-	-	-
	<u>441,325</u>	<u>89,644</u>	<u>(142,314)</u>	<u>(19,057)</u>	<u>21,132</u>	<u>227</u>	<u>390,957</u>

(In millions of Korean won)

	2020						
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income (loss)	Ending
Korea Credit Bureau Co., Ltd.	5,991	-	-	(90)	1,252	-	7,153
Balhae Infrastructure Company	101,390	894	-	(6,973)	11,314	-	106,625
KB GWS Private Securities Investment Trust	108,026	-	-	(7,453)	11,199	-	111,772
Incheon Bridge Co., Ltd.	-	-	-	-	-	-	-
KB SPROTT Renewable Private Equity Fund No.1	1,031	3,286	-	-	(297)	-	4,020
KB Digital Innovation & Growth New Technology Business Investment Fund	2,030	1,125	-	-	(113)	9	3,051
KB12-1 Venture Investment Partnership	53,535	-	(16,024)	(38,578)	1,067	-	-

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Future Planning KB Start-up Creation Fund	15,021	-	(3,200)	-	503	-	12,324
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2	10,892	-	(2,584)	-	(432)	-	7,876
KB High-tech Company Investment Fund	31,904	-	(8,550)	(5,000)	1,608	-	19,962
Aju Good Technology Venture Fund	23,016	-	(2,885)	-	1,217	-	21,348
KB-KDBC Pre-IPO New Technology Business Investment Fund	9,494	-	(3,200)	-	1,727	-	8,021
KB-TS Technology Venture Private Equity Fund	10,570	1,200	(2,940)	-	615	-	9,445
KB Intellectual Property Fund No.2	8,514	6,000	-	-	486	-	15,000
KB Digital Innovation Investment Fund Limited Partnership	31,371	2,800	-	-	578	-	34,749
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	10,252	4,000	(1,600)	-	1,104	-	13,756
KB Global Platform Fund	18,779	9,000	-	-	228	-	28,007
KB-UTC Inno-Tech Venture Fund	278	11,310	-	-	(256)	-	11,332
WJ Private Equity Fund No.1	-	10,000	-	-	(289)	-	9,711
KB-KDBC Pre-IPO New Technology Business Investment Fund No.2	-	2,500	-	-	(7)	-	2,493
KB Smart Scale Up Fund	-	4,000	-	-	(7)	-	3,993
All Together Korea Fund No.2	-	100,000	(90,000)	-	150	(127)	10,023
Shinla Construction Co., Ltd.	-	-	-	-	-	-	-
Terra Corporation	-	-	-	-	-	-	-
MJT&I Corp.	116	-	-	-	(3)	-	113
Jungdong Steel Co., Ltd.	-	-	-	-	-	-	-
DSMETAL Co., Ltd.	-	-	-	-	-	-	-
Shinhwa Underwear Co., Ltd.	256	-	-	-	(34)	-	222
DPAPS Co., Ltd.	-	-	-	-	-	-	-
Jaeyang Industry Co., Ltd.	-	-	-	-	-	-	-
Kendae Co., Ltd.	98	-	-	-	-	-	98
Jinseung Tech Co., Ltd.	-	-	-	-	-	-	-
Dongjo Co., Ltd.	115	-	-	-	(97)	-	18
Korea NM Tech Co., Ltd.	-	-	-	-	-	-	-
Jungdo Co., Ltd.	-	-	-	-	-	-	-
Dae-A Leisure Co., Ltd.	578	-	-	-	(731)	302	149
Chongil Machine & Tools Co., Ltd.	-	-	-	-	-	-	-
Imt Technology Co., Ltd.	3	-	-	-	(3)	-	-
Iwon Alloy Co., Ltd.	-	-	-	-	-	-	-
Carlfe Co., Ltd.	-	-	-	-	11	-	11
Computerlife Co., Ltd.	69	-	(29)	-	8	-	48
Skydigital Inc.	-	-	-	-	-	-	-
Jo Yang Industrial Co., Ltd.	-	-	-	-	-	-	-
Il-Kwang Electronic Materials Co., Ltd.	-	-	-	-	-	-	-
So-Myung Recycling Co., Ltd.	-	-	-	-	(50)	55	5
IDTECK Co., Ltd.	-	-	-	-	-	-	-

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Seyoon Development Company	-	-	-	-	-	-	-
PIP System Co., Ltd.	-	-	-	-	-	-	-
Neomio Corp.	-	-	-	-	-	-	-
Gwang Myung Paper Co., Ltd.	-	-	-	-	-	-	-
D-Partner	-	-	-	-	-	-	-
PT Bank KB Bukopin Tbk *	121,382	43,909	(54,069)	-	(107,258)	(3,964)	-
	<u>564,711</u>	<u>200,024</u>	<u>(185,081)</u>	<u>(58,094)</u>	<u>(76,510)</u>	<u>(3,725)</u>	<u>441,325</u>

\* The investment was reclassified from associates to subsidiaries during the year ended December 31, 2020 due to additional share purchase.

13.4 Unrecognized share of losses of investments in associates and joint ventures due to the discontinuation of recognizing share of losses, for the years ended December 31, 2021 and 2020, and accumulated amount of unrecognized losses as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	Unrecognized losses for the period		Accumulated unrecognized losses	
	2021	2020	December 31, 2021	December 31, 2020
Incheon Bridge Co., Ltd.	1,381	3,354	19,481	18,100
Shinla Construction Co., Ltd.	-	-	183	183
Terra Corporation	-	-	14	14
MJT&I Corp.	152	-	152	-
Jungdong Steel Co., Ltd.	-	-	487	487
DSMETAL Co., Ltd.	38	-	103	65
Jaeyang Industry Co., Ltd.	-	-	30	30
Jinseung Tech Co., Ltd.	12	-	33	21
Korea NM Tech Co., Ltd.	(1)	-	28	28
Jungdo Co., Ltd.	237	150	547	310
Dae-A Leisure Co., Ltd.	202	-	202	-
Chongil Machine & Tools Co., Ltd.	45	-	64	19
Imt Technology Co., Ltd.	(3)	3	-	3
Skydigital Inc.	68	-	173	106
Jo Yang Industrial Co., Ltd.	8	96	104	96
II-Kwang Electronic Materials Co., Ltd.	160	-	160	-
IDTECK Co., Ltd.	(72)	216	144	216
DPAPS Co., Ltd.	-	19	-	358
Inter Shipping Co., Ltd.	117	-	117	-
	<u>2,344</u>	<u>3,838</u>	<u>22,022</u>	<u>20,036</u>

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**14. Property and Equipment, and Investment Properties**

14.1 Property and Equipment

14.1.1 Details of property and equipment as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Land	2,063,213	-	(4)	2,063,209
Buildings	1,784,823	(559,430)	(5,747)	1,219,646
Leasehold improvements	869,957	(806,283)	-	63,674
Equipment and vehicles	1,396,243	(1,228,189)	-	168,054
Construction in-progress	28,226	-	-	28,226
Right-of-use assets	957,169	(566,035)	-	391,134
	<b>7,099,631</b>	<b>(3,159,937)</b>	<b>(5,751)</b>	<b>3,933,943</b>

(In millions of Korean won)

	<b>December 31, 2020</b>			
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Land	2,082,890	-	(1,018)	2,081,872
Buildings	1,784,421	(529,020)	(5,859)	1,249,542
Leasehold improvements	830,140	(760,926)	-	69,214
Equipment and vehicles	1,363,077	(1,172,235)	-	190,842
Construction in-progress	34,275	-	-	34,275
Right-of-use assets	824,242	(408,093)	-	416,149
	<b>6,919,045</b>	<b>(2,870,274)</b>	<b>(6,877)</b>	<b>4,041,894</b>

14.1.2 Changes in property and equipment for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>2021</b>						
	<b>Beginning</b>	<b>Acquisition</b>	<b>Transfer <sup>2</sup></b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others</b>	<b>Ending</b>
Land	2,081,872	1,106	(42,175)	(731)	-	23,137	2,063,209
Buildings	1,249,542	1,237	12,248	(3,869)	(45,465)	5,953	1,219,646
Leasehold Improvements	69,214	1,841	39,453	(736)	(46,774)	676	63,674
Equipment and vehicles	190,842	87,034	2,743	(981)	(114,625)	3,041	168,054
Construction in-progress	34,275	107,463	(92,288)	(8,435)	-	(12,789)	28,226
Right-of-use assets <sup>1</sup>	416,149	489,810	-	(306,818)	(214,738)	6,731	391,134
	<b>4,041,894</b>	<b>688,491</b>	<b>(80,019)</b>	<b>(321,570)</b>	<b>(421,602)</b>	<b>26,749</b>	<b>3,933,943</b>

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(In millions of Korean won)

	2020							
	Beginning	Acquisition	Transfer <sup>2</sup>	Disposal	Depreciation	Business combination	Others	Ending
Land	1,984,352	6,361	(77,272)	-	-	171,526	(3,095)	2,081,872
Buildings	996,330	41,662	199,578	(227)	(38,224)	51,325	(902)	1,249,542
Leasehold improvements	91,199	1,170	35,140	(383)	(60,362)	2,780	(330)	69,214
Equipment and vehicles	261,726	71,083	3,147	(1,833)	(156,181)	13,600	(700)	190,842
Construction in-progress	85,953	220,202	(291,247)	-	-	19,999	(632)	34,275
Right-of-use assets <sup>1</sup>	364,814	389,952	-	(190,817)	(215,206)	45,438	21,968	416,149
	<u>3,784,374</u>	<u>730,430</u>	<u>(130,654)</u>	<u>(193,260)</u>	<u>(469,973)</u>	<u>304,668</u>	<u>16,309</u>	<u>4,041,894</u>

<sup>1</sup> Effect of change in the lease term is reflected in acquisition and disposal based on gross amount.

<sup>2</sup> Includes transfers with investment properties and assets held for sale.

14.1.3 Changes in accumulated impairment losses of property and equipment for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021				
	Beginning	Impairment	Reversal	Others	Ending
Accumulated impairment losses of property and equipment	(6,877)	-	-	1,126	(5,751)

(In millions of Korean won)

	2020				
	Beginning	Impairment	Reversal	Others	Ending
Accumulated impairment losses of property and equipment	(6,877)	(12)	-	12	(6,877)

14.2 Investment Properties

14.2.1 Details of investment properties as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021		
	Acquisition cost	Accumulated depreciation	Carrying amount
Land	222,648	-	222,648
Buildings	112,377	(9,960)	102,417
	<u>335,025</u>	<u>(9,960)</u>	<u>325,065</u>

(In millions of Korean won)

	December 31, 2020		
	Acquisition cost	Accumulated depreciation	Carrying amount
Land	218,157	-	218,157
Buildings	107,982	(8,038)	99,944
	<u>326,139</u>	<u>(8,038)</u>	<u>318,101</u>

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14.2.2 Valuation techniques and inputs used to measure the fair value of investment properties as of December 31, 2021, are as follows:

(In millions of Korean won)

	December 31, 2021		
	Fair value	Valuation techniques	Inputs
Land and buildings	150,299	Cost approach method	- Price per square meter
	232,950	Income approach method	- Replacement cost - Discount rate - Capitalization rate - Vacancy rate

Fair value of investment properties amounts to ₩ 383,249 million and ₩ 345,600 million as of December 31, 2021 and 2020, respectively. Investment properties are measured by qualified independent appraisers with recent experience in valuing similar properties in the same area. In addition, all investment properties are classified as Level 3 in accordance with fair value hierarchy in Note 6.1.2.

Rental income from above investment properties amounts to ₩ 4,477 million and ₩ 24,640 million for the years ended December 31, 2021 and 2020, respectively.

14.2.3 Changes in investment properties for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021					
	Beginning	Acquisition	Transfer	Disposal	Depreciation	Ending
Land	218,157	-	4,491	-	-	222,648
Buildings	99,944	-	3,664	-	(1,191)	102,417
	318,101	-	8,155	-	(1,191)	325,065

(In millions of Korean won)

	2020					
	Beginning	Acquisition	Transfer	Disposal	Depreciation	Ending
Land	328,587	125	22,390	(132,945)	-	218,157
Buildings	147,381	-	29,034	(72,794)	(3,677)	99,944
	475,968	125	51,424	(205,739)	(3,677)	318,101

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**15. Intangible Assets**

15.1 Details of intangible assets as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>		<b>December 31, 2021</b>			
	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Others</b>	<b>Carrying amount</b>
Goodwill	552,652	-	(1,202)	(11,745)	539,705
Other intangible assets	1,579,448	(1,075,514)	(15,145)	-	488,789
	<u>2,132,100</u>	<u>(1,075,514)</u>	<u>(16,347)</u>	<u>(11,745)</u>	<u>1,028,494</u>

<i>(In millions of Korean won)</i>		<b>December 31, 2020</b>			
	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Others</b>	<b>Carrying amount</b>
Goodwill	552,652	-	(1,202)	(49,590)	501,860
Other intangible assets	1,392,929	(921,920)	(10,215)	-	460,794
	<u>1,945,581</u>	<u>(921,920)</u>	<u>(11,417)</u>	<u>(49,590)</u>	<u>962,654</u>

15.2 Details of goodwill as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	December 31, 2021		December 31, 2020	
	Acquisition cost	Carrying amount *	Acquisition cost	Carrying amount *
PT Bank KB Bukopin Tbk	89,220	85,893	89,220	80,002
PRASAC Microfinance Institution Plc.	396,942	388,524	396,942	356,570
Housing & Commercial Bank	65,288	65,288	65,288	65,288
Kookmin Bank Cambodia Plc.	1,202	-	1,202	-
	552,652	539,705	552,652	501,860

\* Includes the effect of exchange differences.

15.3 Changes in accumulated impairment losses of goodwill for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	2021			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses of goodwill	(1,202)	-	-	(1,202)

(In millions of Korean won)	2020			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses of goodwill	(1,202)	-	-	(1,202)



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15.4 Details of goodwill allocation to cash-generating units and related information for impairment testing as of December 31, 2021 are as follows:

(In millions of Korean won)

	December 31, 2021				
	Retail banking	Corporate banking	PT Bank KB Bukopin Tbk	PRASAC Microfinance Institution Plc.	Total
Carrying amounts *	49,315	15,973	86,100	388,327	539,715
Recoverable amount exceeding carrying amount	5,767,992	2,004,756	175,872	247,992	8,196,612
Discount rate (%)	18.57	18.96	17.30	23.02	
Permanent growth rate (%)	1.00	1.00	3.00	3.00	

\* The carrying amount of goodwill at the time of the impairment test

For impairment testing, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination, and cash-generating units consist of an operating segment or units which are not larger than an operating segment. The Group recognized goodwill amounting to ₩ 65,288 million arising from the merger of Housing & Commercial Bank, the amounts of ₩ 49,315 million and ₩ 15,973 million were allocated to the retail banking and corporate banking, respectively. The Group acquired a 70% stake in PRASAC Microfinance Institution Plc. with the acquisition date of April 10, 2020, and the goodwill recognized due to the business combination is ₩ 388,524 million as of December 31, 2021. The Group acquired a 67% stake in PT Bank KB Bukopin Tbk with the acquisition date of September 2, 2020, and the goodwill recognized due to the business combination is ₩ 85,893 million as of December 31, 2021. Cash-generating units to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit including the goodwill with the recoverable amount of the unit.

The recoverable amount of a cash-generating unit is measured at the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is the amount obtainable from the disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. If it is difficult to measure the amount obtainable from the disposal of the cash-generating unit, the disposal amount of a similar cash-generating unit in the past transaction is used by reflecting the characteristics of the cash-generating unit to be measured. If it is not possible to obtain reliable information to measure the fair value less costs of disposal, the Group uses the asset's value in use as its recoverable amount. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The estimated future cash flows are based on the most recent financial budget approved by management with maximum period of 5 years. The future cash flows of retail banking and corporate banking after the projection period are estimated on the assumption that the future cash flows will increase by 1.0% per year. The key assumptions used for the estimation of the future cash flows are based on the market size and the Group's market share.

The future cash flows of PRASAC Microfinance Institution Plc. and PT Bank KB Bukopin Tbk after five years are estimated on the assumption that the future cash flows will increase by 3.0% per year. The key assumptions used for the estimation of the future cash flows are the GDP growth rate and the market size of Cambodia and Indonesia, and the recent growth rate of PRASAC Microfinance Institution Plc. and PT Bank KB Bukopin Tbk. The discount rate is a pre-tax rate that reflects assumptions regarding risk-free interest rate, market risk premium, and the risks specific to the cash-generating unit.

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15.5 Details of intangible assets other than goodwill as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Industrial property rights	2,187	(1,963)	-	224
Software	1,247,629	(916,777)	-	330,852
Other intangible assets	294,505	(125,257)	(15,145)	154,103
Right-of-use assets	35,127	(31,517)	-	3,610
	<b>1,579,448</b>	<b>(1,075,514)</b>	<b>(15,145)</b>	<b>488,789</b>

(In millions of Korean won)

	<b>December 31, 2020</b>			
	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Industrial property rights	2,048	(1,814)	-	234
Software	1,117,984	(804,558)	-	313,426
Other intangible assets	237,770	(85,038)	(10,215)	142,517
Right-of-use assets	35,127	(30,510)	-	4,617
	<b>1,392,929</b>	<b>(921,920)</b>	<b>(10,215)</b>	<b>460,794</b>

15.6 Changes in intangible assets other than goodwill for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>2021</b>					
	<b>Beginning</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Amortization</b>	<b>Others</b>	<b>Ending</b>
Industrial property rights	234	107	-	(117)	-	224
Software	313,426	129,684	-	(114,225)	1,967	330,852
Other intangible assets	142,517	50,524	(1,834)	(38,236)	1,132	154,103
Right-of-use assets	4,617	-	-	(1,007)	-	3,610
	<b>460,794</b>	<b>180,315</b>	<b>(1,834)</b>	<b>(153,585)</b>	<b>3,099</b>	<b>488,789</b>

(In millions of Korean won)

	<b>2020</b>							
	<b>Beginning</b>	<b>Acquisition</b>	<b>Transfer</b>	<b>Disposal</b>	<b>Amortization</b>	<b>Business combination</b>	<b>Others</b>	<b>Ending</b>
Industrial property rights	293	50	-	-	(109)	-	-	234
Software	133,977	247,665	185	(3,135)	(70,733)	5,422	45	313,426
Other intangible assets	59,534	18,892	-	(1,125)	(20,207)	95,484	(10,061)	142,517
Right-of-use assets	9,639	-	-	-	(5,022)	-	-	4,617
	<b>203,443</b>	<b>266,607</b>	<b>185</b>	<b>(4,260)</b>	<b>(96,071)</b>	<b>100,906</b>	<b>(10,016)</b>	<b>460,794</b>

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15.7 Changes in accumulated impairment losses of other intangible assets for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021				
	Beginning	Impairment	Reversal	Others	Ending
Accumulated impairment losses of other intangible assets	(10,215)	(4,971)	-	41	(15,145)

(In millions of Korean won)

	2020				
	Beginning	Impairment	Reversal	Others	Ending
Accumulated impairment losses of other intangible assets	(2,166)	(8,145)	55	41	(10,215)

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

16.1 Details of deferred income tax assets and liabilities as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021		
	Assets	Liabilities	Net amount
Other provisions	77,907	-	77,907
Impairment losses of property and equipment	7,446	-	7,446
Share-based payments	15,687	-	15,687
Provisions for acceptances and guarantees	33,091	-	33,091
Gains or losses on valuation of derivatives	-	(74,111)	(74,111)
Present value discount	-	(142)	(142)
Gains or losses on fair value hedge	-	(14,642)	(14,642)
Accrued interest	-	(42,882)	(42,882)
Deferred loan origination fees and costs	8,596	(138,398)	(129,802)
Gains or losses on revaluation	-	(277,471)	(277,471)
Investments in subsidiaries and others	32,602	(138,609)	(106,007)
Gains or losses on valuation of security investment	-	(501,409)	(501,409)
Defined benefit liabilities	472,722	-	472,722
Accrued expenses	148,726	-	148,726
Retirement insurance expense	-	(441,633)	(441,633)
Adjustments to the prepaid contributions	-	(29,273)	(29,273)
Others	434,703	(124,602)	310,101
	1,231,480	(1,783,172)	(551,692)
Offsetting of deferred income tax assets and liabilities	(1,081,611)	1,081,611	-
	149,869	(701,561)	(551,692)

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	December 31, 2020		
	Assets	Liabilities	Net amount
Other provisions	78,327	-	78,327
Impairment losses of property and equipment	2,241	-	2,241
Share-based payments	11,650	-	11,650
Provisions for acceptances and guarantees	17,047	-	17,047
Gains or losses on valuation of derivatives	-	(92,328)	(92,328)
Present value discount	-	(14)	(14)
Gains or losses on fair value hedge	21,060	-	21,060
Accrued interest	-	(35,020)	(35,020)
Deferred loan origination fees and costs	6,674	(140,265)	(133,591)
Gains or losses on revaluation	-	(277,471)	(277,471)
Investments in subsidiaries and others	32,979	(102,655)	(69,676)
Gains or losses on valuation of security investment	-	(265,941)	(265,941)
Defined benefit liabilities	445,114	-	445,114
Accrued expenses	210,481	-	210,481
Retirement insurance expense	-	(402,227)	(402,227)
Adjustments to the prepaid contributions	-	(28,261)	(28,261)
Others	344,298	(114,200)	230,098
	1,169,871	(1,458,382)	(288,511)
Offsetting of deferred income tax assets and liabilities	(1,111,532)	1,111,532	-
	58,339	(346,850)	(288,511)

**16.2 Unrecognized Deferred Income Tax Assets**

16.2.1 No deferred income tax assets have been recognized for the deductible temporary differences of ₩ 327,040 million and ₩ 188,609 million associated with investments in subsidiaries and others as of December 31, 2021 and 2020, because it is not probable that these temporary differences will reverse in the foreseeable future.

16.2.2 No deferred income tax assets have been recognized for the deductible temporary differences of ₩ 39,821 million and ₩ 23,826 million associated with others as of December 31, 2021 and 2020 due to the uncertainty that these temporary differences will be realized in the future.

**16.3 Unrecognized Deferred Income Tax Liabilities**

16.3.1 No deferred income tax liabilities have been recognized for the taxable temporary differences of ₩ 313,586 million and ₩ 221,773 million associated with investments in subsidiaries and others as of December 31, 2021 and 2020, due to the following reasons:

- The Group is able to control the timing of the reversal of the temporary differences.
- It is probable that these temporary differences will not reverse in the foreseeable future.

16.3.2 No deferred income tax liabilities have been recognized as of December 31, 2021 and 2020 for the taxable temporary differences of ₩ 65,288 million related to the initial recognition of goodwill arising from the merger of Housing and Commercial Bank in 2001.

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16.4 Changes in cumulative temporary differences for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	Beginning	Decrease	Increase	Ending
<b>Deductible temporary differences</b>				
Gains or losses on fair value hedge	76,583	76,583	-	-
Other provisions	284,825	283,770	282,244	283,299
Impairment losses of property and equipment	8,148	4,362	23,290	27,076
Deferred loan origination fees and costs	24,270	11,722	18,708	31,256
Share-based payments	42,361	42,361	57,042	57,042
Provisions for acceptances and guarantees	61,984	61,984	120,332	120,332
Investments in subsidiaries and others	308,534	180,735	317,796	445,595
Defined benefit liabilities	1,618,597	182,536	282,929	1,718,990
Accrued expenses	765,387	765,387	540,823	540,823
Others	1,201,141	509,685	559,178	1,250,634
	<u>4,391,830</u>	<u>2,119,125</u>	<u>2,202,342</u>	<u>4,475,047</u>
<b>Unrecognized deferred income tax assets</b>				
Investments in subsidiaries and others	188,609			327,040
Others	23,826			39,821
	<u>4,179,395</u>			<u>4,108,186</u>
Tax rate (%)	<u>27.50</u>			<u>27.50</u>
	1,149,334			1,129,751
Tax loss carryforwards and tax credit	20,537	-	81,192	101,729
<b>Total deferred income tax assets</b>	<u>1,169,871</u>			<u>1,231,480</u>
<b>Taxable temporary differences</b>				
Gains or losses on fair value hedge	-	-	(53,243)	(53,243)
Accrued interest	(127,345)	(111,820)	(140,411)	(155,936)
Deferred loan origination fees and costs	(510,055)	(510,055)	(503,266)	(503,266)
Gains or losses on valuation of derivatives	(335,740)	(335,740)	(269,493)	(269,493)
Present value discount	(49)	(49)	(517)	(517)
Goodwill arising from the merger	(65,288)	-	-	(65,288)
Gains or losses on revaluation	(1,008,984)	-	-	(1,008,984)
Investments in subsidiaries and others	(595,065)	(116,061)	(338,614)	(817,618)
Gains or losses on valuation of security investment	(967,057)	(967,057)	(1,823,307)	(1,823,307)
Retirement insurance expense	(1,462,643)	(178,936)	(322,233)	(1,605,940)
Adjustments to the prepaid contributions	(102,768)	(102,768)	(106,446)	(106,446)
Others	(415,278)	(340,613)	(378,433)	(453,098)
	<u>(5,590,272)</u>	<u>(2,663,099)</u>	<u>(3,935,963)</u>	<u>(6,863,136)</u>
<b>Unrecognized deferred income tax liabilities</b>				
Goodwill arising from the merger	(65,288)			(65,288)
Investments in subsidiaries and others	(221,773)			(313,586)
	<u>(5,303,211)</u>			<u>(6,484,262)</u>
Tax rate (%)	<u>27.50</u>			<u>27.50</u>
<b>Total deferred income tax liabilities</b>	<u>(1,458,382)</u>			<u>(1,783,172)</u>

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	2020				
	Beginning	Business combination	Decrease	Increase	Ending
<b>Deductible temporary differences</b>					
Gains or losses on fair value hedge	44,085	-	44,085	76,583	76,583
Other provisions	219,069	3,995	221,208	282,969	284,825
Impairment losses of property and equipment	9,659	-	9,659	8,148	8,148
Deferred loan origination fees and costs	-	35,863	13,169	1,576	24,270
Share-based payments	44,049	-	44,049	42,361	42,361
Provisions for acceptances and guarantees	76,214	-	76,214	61,984	61,984
Investments in subsidiaries and others	122,292	-	24,965	211,207	308,534
Defined benefit liabilities	1,537,455	15,620	120,513	186,035	1,618,597
Accrued expenses	629,175	-	629,175	765,387	765,387
Others	929,781	105,927	440,676	606,109	1,201,141
	<u>3,611,779</u>	<u>161,405</u>	<u>1,623,713</u>	<u>2,242,359</u>	<u>4,391,830</u>
<b>Unrecognized deferred income tax assets</b>					
Investments in subsidiaries and others	7,716				188,609
Others	19,388				23,826
	<u>3,584,675</u>				<u>4,179,395</u>
Tax rate (%)	<u>27.50</u>				<u>27.50</u>
	985,786				1,149,334
Tax loss carryforwards and tax credit	-	18,804	-	1,733	20,537
<b>Total deferred income tax assets</b>	<u>985,786</u>				<u>1,169,871</u>
<b>Taxable temporary differences</b>					
Accrued interest	(178,107)	-	(171,025)	(120,263)	(127,345)
Deferred loan origination fees and costs	(495,193)	-	(495,193)	(510,055)	(510,055)
Gains or losses on valuation of derivatives	(217,552)	-	(217,552)	(335,740)	(335,740)
Present value discount	(429)	-	(429)	(49)	(49)
Goodwill arising from the merger	(65,288)	-	-	-	(65,288)
Gains or losses on revaluation	(1,040,976)	-	(31,992)	-	(1,008,984)
Investments in subsidiaries and others	(355,275)	-	(39,160)	(278,950)	(595,065)
Gains or losses on valuation of security investment	(365,092)	-	(365,092)	(967,057)	(967,057)
Retirement insurance expense	(1,364,727)	-	(120,512)	(218,428)	(1,462,643)
Adjustments to the prepaid contributions	(83,262)	-	(83,262)	(102,768)	(102,768)
Others	(413,510)	(1,613)	(344,050)	(344,205)	(415,278)
	<u>(4,579,411)</u>	<u>(1,613)</u>	<u>(1,868,267)</u>	<u>(2,877,515)</u>	<u>(5,590,272)</u>
<b>Unrecognized deferred income tax liabilities</b>					
Goodwill arising from the merger	(65,288)				(65,288)
Investments in subsidiaries and others	(33,487)				(221,773)
	<u>(4,480,636)</u>				<u>(5,303,211)</u>
Tax rate (%)	<u>27.50</u>				<u>27.50</u>
<b>Total deferred income tax liabilities</b>	<u>(1,232,175)</u>				<u>(1,458,382)</u>

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**17. Assets Held for Sale**

17.1 Details of assets held for sale as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

<b>December 31, 2021</b>				
	<b>Acquisition cost *</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>	<b>Fair value less costs to sell</b>
Land held for sale	115,099	(16,528)	98,571	135,192
Buildings held for sale	170,892	(36,923)	133,969	149,569
Other assets held for sale	10,142	(5,364)	4,778	4,778
	<u>296,133</u>	<u>(58,815)</u>	<u>237,318</u>	<u>289,539</u>

(In millions of Korean won)

<b>December 31, 2020</b>				
	<b>Acquisition cost *</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>	<b>Fair value less costs to sell</b>
Land held for sale	80,740	(16,169)	64,571	68,321
Buildings held for sale	152,426	(24,887)	127,539	134,247
Other assets held for sale	10,676	(5,059)	5,617	5,801
	<u>243,842</u>	<u>(46,115)</u>	<u>197,727</u>	<u>208,369</u>

\* Acquisition cost of buildings held for sale is net of accumulated depreciation amount immediately before the initial classification of the assets as held for sale.

17.2 Valuation techniques and inputs used to measure the fair value of assets held for sale as of December 31, 2021 are as follows:

(In millions of Korean won)

<b>December 31, 2021</b>					
	<b>Fair value</b>	<b>Valuation techniques <sup>1</sup></b>	<b>Unobservable inputs <sup>2</sup></b>	<b>Estimated range of unobservable inputs (%)</b>	<b>Effect of unobservable inputs to fair value</b>
Land and buildings	289,539	Market comparison approach model and others	Adjustment index	0.68 ~ 1.95	Fair value increases as the adjustment index rises

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

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

Among assets held for sale, real estate was measured by independent appraisers with professional qualifications and recent experience in evaluating similar properties in the area of the property to be assessed. All assets held for sale are classified as Level 3 in accordance with fair value hierarchy in Note 6.1.2.

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17.3 Changes in accumulated impairment losses of assets held for sale for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021				
	Beginning	Provision	Reversal	Others	Ending
Accumulated impairment losses of assets held for sale	(46,115)	(15,490)	-	2,790	(58,815)

(In millions of Korean won)

	2020					
	Beginning	Provision	Reversal	Business combination	Others	Ending
Accumulated impairment losses of assets held for sale	(2,782)	(11,593)	-	(45,433)	13,693	(46,115)

17.4 As of December 31, 2021, assets held for sale consist of 16 real estates of closed offices and 861 foreclosure assets on loans of PT Bank KB Bukopin Tbk, which were determined to sell by management, but not yet sold as of December 31, 2021. Negotiation with buyers is in process for the one closed office and the remaining 876 assets are also being actively marketed.

## 18. Other Assets

18.1 Details of other assets as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021	December 31, 2020
<b>Other financial assets</b>		
Other receivables	2,451,049	3,497,333
Accrued income	950,095	852,353
Guarantee deposits	872,225	930,748
Domestic exchange settlement debits	989,551	716,015
Others	32,009	10,330
Less: Allowances for credit losses	(16,305)	(18,476)
Present value discount	(1,397)	(1,617)
	<u>5,277,227</u>	<u>5,986,686</u>
<b>Other non-financial assets</b>		
Other receivables	310	192
Prepaid expenses	195,109	199,227
Guarantee deposits	2,703	3,165
Prepayments	28,856	25,770
Others	87,729	80,781
Less: Allowances for credit losses	(8,587)	(9,865)
	<u>306,120</u>	<u>299,270</u>
	<u>5,583,347</u>	<u>6,285,956</u>



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18.2 Changes in allowances for credit losses of other assets for the years ended December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>2021</b>		
	<b>Other financial assets</b>	<b>Other non- financial assets</b>	<b>Total</b>
Beginning	18,476	9,865	28,341
Provision (reversal)	1,663	(379)	1,284
Write-offs	(5,213)	(2,762)	(7,975)
Others	1,379	1,863	3,242
Ending	16,305	8,587	24,892

*(In millions of Korean won)*

	<b>2020</b>		
	<b>Other financial assets</b>	<b>Other non- financial assets</b>	<b>Total</b>
Beginning	11,461	16,528	27,989
Provision	2,422	1,733	4,155
Write-offs	(3,123)	(8,458)	(11,581)
Business combination	5,241	59	5,300
Others	2,475	3	2,478
Ending	18,476	9,865	28,341

**19. Deposits**

Details of deposits as of December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Demand deposits</b>		
Demand deposits in Korean won	174,210,942	155,897,006
Demand deposits in foreign currencies	15,192,711	12,011,549
	<u>189,403,653</u>	<u>167,908,555</u>
<b>Time deposits</b>		
Time deposits in Korean won	153,934,550	148,096,454
Time deposits in foreign currencies	15,688,844	11,876,470
Fair value adjustments of fair value hedged time deposits in foreign currencies	(1,319)	2,088
	<u>169,622,075</u>	<u>159,975,012</u>
<b>Certificates of deposits</b>	<u>4,115,688</u>	<u>2,468,924</u>
	<u>363,141,416</u>	<u>330,352,491</u>

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**20. Borrowings**

20.1 Details of borrowings as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
General borrowings	30,051,040	24,662,850
Bonds sold under repurchase agreements and others	834,455	1,318,049
Call money	1,637,666	889,932
	<b>32,523,161</b>	<b>26,870,831</b>

20.2 Details of general borrowings as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>			<b>Annual interest rate (%)</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
	<b>Lenders</b>				
<b>Borrowings in Korean won</b>	Borrowings from the Bank of Korea	The Bank of Korea	0.25	7,131,019	6,463,267
	Borrowings from the government	SEMAS and others	0.00~2.70	2,683,056	2,675,568
	Borrowings from non-banking financial institutions	The Korea Development Bank	0.20~1.45	432,310	446,502
	Other borrowings	The Korea Development Bank and others	0.00~4.90	5,460,862	4,854,745
				<b>15,707,247</b>	<b>14,440,082</b>
<b>Borrowings in foreign currencies</b>	Due to banks	Hana Bank and others	-	2,143	292
	Borrowings from banks	Central Bank of Uzbekistan and others	0.00~13.50	12,364,349	9,197,047
	Borrowings from other financial institutions	The Export-Import Bank of Korea and others	0.60~1.36	24,867	23,827
	Other borrowings	Standard Chartered Bank and others	-	1,952,434	1,001,602
				<b>14,343,793</b>	<b>10,222,768</b>
				<b>30,051,040</b>	<b>24,662,850</b>

20.3 Details of bonds sold under repurchase agreements and others as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>		<b>Annual interest rate (%)</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
	<b>Lenders</b>			
Bonds sold under repurchase agreements	Individuals, groups, and corporations	0.42~9.75	832,353	1,313,483
Bills sold	Counter sale	0.20~2.00	2,102	4,566
			<b>834,455</b>	<b>1,318,049</b>

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20.4 Details of call money as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>Lenders</b>	<b>Annual interest rate (%)</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Call money in Korean won	Mitsui Sumitomo Bank Seoul	-	-	220,000
Call money in foreign currencies	Bank CIMB Niaga and others	0.00~4.25	1,637,666	669,932
			<u>1,637,666</u>	<u>889,932</u>

**21. Debentures**

21.1 Details of debentures as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>Annual interest rate (%)</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Debentures in Korean won</b>			
Structured debentures	5.65~8.62	30,910	31,960
Subordinated fixed rate debentures	2.02~7.86	5,292,957	4,464,407
Fixed rate debentures	0.79~13.70	11,276,086	14,823,854
Floating rate debentures	1.24~1.39	5,310,000	1,890,000
		<u>21,909,953</u>	<u>21,210,221</u>
Fair value adjustments of fair value hedged debentures in Korean won		(79,877)	(6,839)
Less: Discount on debentures in Korean won		<u>(14,685)</u>	<u>(8,070)</u>
		<u>21,815,391</u>	<u>21,195,312</u>
<b>Debentures in foreign currencies</b>			
Floating rate debentures	0.37~1.46	1,948,962	1,353,472
Fixed rate debentures	0.05~12.00	5,949,105	4,359,842
		<u>7,898,067</u>	<u>5,713,314</u>
Fair value adjustments of fair value hedged debentures in foreign currencies		27,952	81,333
Less: Discount on debentures in foreign currencies		<u>(22,676)</u>	<u>(20,375)</u>
		<u>7,903,343</u>	<u>5,774,272</u>
		<u>29,718,734</u>	<u>26,969,584</u>

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21.2 Changes in debentures based on par value for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021				
	Beginning	Issue	Repayment	Others	Ending
<b>Debentures in Korean won</b>					
Structured debentures	31,960	-	(1,050)	-	30,910
Subordinated fixed rate debentures	4,464,407	830,000	(1,450)	-	5,292,957
Fixed rate debentures	14,823,854	10,592,620	(14,140,388)	-	11,276,086
Floating rate debentures	1,890,000	5,310,000	(1,890,000)	-	5,310,000
	<u>21,210,221</u>	<u>16,732,620</u>	<u>(16,032,888)</u>	<u>-</u>	<u>21,909,953</u>
<b>Debentures in foreign currencies</b>					
Floating rate debentures	1,353,472	810,920	(350,235)	134,805	1,948,962
Fixed rate debentures	4,359,842	2,489,034	(1,134,987)	235,216	5,949,105
	<u>5,713,314</u>	<u>3,299,954</u>	<u>(1,485,222)</u>	<u>370,021</u>	<u>7,898,067</u>
	<u>26,923,535</u>	<u>20,032,574</u>	<u>(17,518,110)</u>	<u>370,021</u>	<u>29,808,020</u>

(In millions of Korean won)

	2020					
	Beginning	Issue	Repayment	Business combination	Others	Ending
<b>Debentures in Korean won</b>						
Structured debentures	33,310	-	(1,350)	-	-	31,960
Subordinated fixed rate debentures	3,416,590	1,750,000	(702,183)	-	-	4,464,407
Fixed rate debentures	10,787,614	13,528,640	(9,492,400)	-	-	14,823,854
Floating rate debentures	300,000	1,890,000	(300,000)	-	-	1,890,000
	<u>14,537,514</u>	<u>17,168,640</u>	<u>(10,495,933)</u>	<u>-</u>	<u>-</u>	<u>21,210,221</u>
<b>Debentures in foreign currencies</b>						
Floating rate debentures	1,301,367	493,753	(371,742)	-	(69,906)	1,353,472
Fixed rate debentures	2,857,545	2,313,792	(786,305)	231,804	(256,994)	4,359,842
	<u>4,158,912</u>	<u>2,807,545</u>	<u>(1,158,047)</u>	<u>231,804</u>	<u>(326,900)</u>	<u>5,713,314</u>
	<u>18,696,426</u>	<u>19,976,185</u>	<u>(11,653,980)</u>	<u>231,804</u>	<u>(326,900)</u>	<u>26,923,535</u>

## 22. Provisions

22.1 Details of provisions as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021	December 31, 2020
Provisions for credit losses of unused loan commitments	147,765	159,828
Provisions for credit losses of acceptances and guarantees	121,148	62,356
Provisions for restoration costs	128,407	131,674
Others	29,547	34,156
	<u>426,867</u>	<u>388,014</u>

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22.2 Changes in provisions for credit losses of unused loan commitments, and acceptances and guarantees for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021					
	Provisions for credit losses of unused loan commitments			Provisions for credit losses of acceptances and guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired		Non-impaired	Impaired
Beginning	81,709	78,119	-	33,190	14,838	14,328
Transfer between stages:						
Transfer to 12-month expected credit losses	24,978	(24,976)	(2)	3,958	(203)	(3,755)
Transfer to lifetime expected credit losses	(14,468)	14,587	(119)	(3,973)	3,982	(9)
Impairment	(131)	(355)	486	(10)	(85)	95
Provision (reversal) for credit losses	1,046	(14,198)	(365)	(7,482)	64,178	711
Others (exchange differences, etc.)	1,049	405	-	1,758	(540)	167
Ending *	94,183	53,582	-	27,441	82,170	11,537

(In millions of Korean won)

	2020					
	Provisions for credit losses of unused loan commitments			Provisions for credit losses of acceptances and guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired		Non-impaired	Impaired
Beginning	61,085	34,670	-	23,881	35,588	16,787
Transfer between stages:						
Transfer to 12-month expected credit losses	7,728	(7,723)	(5)	194	(191)	(3)
Transfer to lifetime expected credit losses	(7,186)	9,414	(2,228)	(486)	486	-
Impairment	(32)	(2,937)	2,969	(5)	(461)	466
Provision (reversal) for credit losses	20,304	45,393	(736)	9,583	(20,390)	(2,734)
Business combination	330	2	-	618	-	-
Others (exchange differences, etc.)	(520)	(700)	-	(595)	(194)	(188)
Ending *	81,709	78,119	-	33,190	14,838	14,328

\* Includes additional provisions of ₩ 15,664 million and ₩ 14,974 million for industries and borrowers which are highly affected by COVID-19 and ₩ 6,441 million and ₩ 20,673 million due to expanding the scope of the loans subject to lifetime expected credit losses (non-impaired) as of December 31, 2021 and 2020, respectively.

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22.3 Changes in provisions for restoration costs for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Beginning	131,674	106,269
Provision	5,879	8,434
Reversal	(1,016)	(1,153)
Used	(12,541)	(7,102)
Unwinding of discount	1,369	2,111
Effect of changes in discount rate	3,042	23,115
Ending	128,407	131,674

Provisions for restoration costs are the present value of estimated costs to be incurred for the restoration of the leased properties. The expenditure of the restoration cost will be incurred at the end of each lease contract, and the lease period is used to reasonably estimate the time of expenditure. Also, the average restoration expense based on actual three-year historical data and three-year historical average inflation rate are used to estimate the present value of estimated costs.

22.4 Changes in other provisions for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>2021</b>					
	<b>Membership rewards program</b>	<b>Dormant accounts</b>	<b>Litigations</b>	<b>Financial guarantee contracts</b>	<b>Others</b>	<b>Total</b>
Beginning	35	3,008	9,969	6,347	14,797	34,156
Provision (reversal)	77	3,429	24	(896)	(4,289)	(1,655)
Used and others	(69)	(3,375)	126	(166)	530	(2,954)
Ending	43	3,062	10,119	5,285	11,038	29,547

<i>(In millions of Korean won)</i>	<b>2020</b>					
	<b>Membership rewards program</b>	<b>Dormant accounts</b>	<b>Litigations</b>	<b>Financial guarantee contracts</b>	<b>Others</b>	<b>Total</b>
Beginning	53	3,578	10,662	5,411	13,156	32,860
Provision (reversal)	55	2,579	(3,002)	931	2,005	2,568
Used and others	(73)	(3,149)	(55)	5	(364)	(3,636)
Business combination	-	-	2,364	-	-	2,364
Ending	35	3,008	9,969	6,347	14,797	34,156

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**23. Net Defined Benefit Liabilities**

23.1 Defined Benefit Plan

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

- The Group has the obligation to pay the agreed benefits to all its current and former employees.
- The Group assumes actuarial risk (that benefits will cost more than expected) and investment risk.

The net defined benefit liabilities recognized in the consolidated statements of financial position are calculated in accordance with actuarial valuation method using assumptions based on market data and historical data such as discount rate, future salary increase rate, and mortality. Actuarial assumptions may differ from actual results, due to changes in the market conditions, economic trends, and mortality trends.

23.2 Changes in net defined benefit liabilities for the years ended December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>2021</b>		
	<b>Present value of defined benefit obligation</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liabilities</b>
Beginning	1,748,770	(1,583,368)	165,402
Current service cost	155,506	-	155,506
Interest expense (income)	34,075	(31,069)	3,006
Remeasurements:			
Actuarial gains and losses by experience adjustments	5,180	-	5,180
Actuarial gains and losses by changes in demographic assumptions	7,330	-	7,330
Actuarial gains and losses by changes in financial assumptions	81,928	-	81,928
Return on plan assets (excluding amounts included in interest income)	-	5,363	5,363
Contributions by the Group	-	(264,600)	(264,600)
Payments from plans (benefit payments)	(178,937)	178,937	-
Payments from the Group	(6,578)	-	(6,578)
Transfer in	3,602	(3,067)	535
Transfer out	(5,183)	5,183	-
Effect of exchange differences	2,212	-	2,212
Ending	1,847,905	(1,692,621)	155,284

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(In millions of Korean won)

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	1,669,963	(1,490,853)	179,110
Current service cost	155,819	-	155,819
Interest expense (income)	32,956	(29,382)	3,574
Remeasurements:			
Actuarial gains and losses by experience adjustments	1,289	-	1,289
Actuarial gains and losses by changes in demographic assumptions	-	-	-
Actuarial gains and losses by changes in financial assumptions	-	-	-
Return on plan assets (excluding amounts included in interest income)	-	4,230	4,230
Contributions by the Group	-	(187,900)	(187,900)
Payments from plans (benefit payments)	(120,513)	120,513	-
Payments from the Group	(6,209)	-	(6,209)
Transfer in	4,318	(3,696)	622
Transfer out	(3,720)	3,720	-
Effect of exchange differences	(274)	-	(274)
Business combination	15,141	-	15,141
Ending	1,748,770	(1,583,368)	165,402

23.3 Details of net defined benefit liabilities as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021	December 31, 2020
Present value of defined benefit obligation	1,847,905	1,748,770
Fair value of plan assets	(1,692,621)	(1,583,368)
Net defined benefit liabilities	155,284	165,402

23.4 Details of remeasurements of net defined benefit liabilities recognized in other comprehensive income (loss) for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021	2020
Remeasurements:		
Actuarial losses arising from experience adjustments	(5,180)	(1,289)
Actuarial losses arising from changes in demographic assumptions	(7,330)	-
Actuarial losses arising from changes in financial assumptions	(81,928)	-
Return on plan assets (excluding amounts included in interest income)	(5,363)	(4,230)
Income tax effect	28,201	1,518
Effect of exchange differences	(15)	(165)
Remeasurements after income tax expense	(71,615)	(4,166)



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23.5 Details of fair value of plan assets as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>December 31, 2021</b>		
	<b>Assets quoted in an active market</b>	<b>Assets not quoted in an active market</b>	<b>Total</b>
Time deposits	-	1,374,281	1,374,281
Others	-	318,340	318,340
	-	1,692,621	1,692,621

(In millions of Korean won)

	<b>December 31, 2020</b>		
	<b>Assets quoted in an active market</b>	<b>Assets not quoted in an active market</b>	<b>Total</b>
Time deposits	-	1,433,077	1,433,077
Others	-	150,291	150,291
	-	1,583,368	1,583,368

23.6 Details of significant actuarial assumptions used as of December 31, 2021 and 2020, are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Discount rate (%)	2.60	2.00
Salary increase rate (%)	0.00~5.04	3.75
Turnover rate (%)	1.00~20.00	1.00

Mortality assumptions are based on the experience-based mortality table issued by Korea Insurance Development Institute in 2019.

23.7 Results of sensitivity analysis of significant actuarial assumptions as of December 31, 2021, are as follows:

	<b>Changes in assumptions</b>	<b>Effect on defined benefit obligation</b>	
		<b>Increase in assumptions</b>	<b>Decrease in assumptions</b>
Discount rate	0.5%p	4.37% decrease	4.71% increase
Salary increase rate	0.5%p	4.36% increase	4.10% decrease
Turnover rate	0.5%p	0.30% decrease	0.31% increase

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in significant actuarial assumptions is calculated using the same projected unit credit method used in calculating the defined benefit obligation recognized in the consolidated statement of financial position.

23.8 Expected maturity analysis of undiscounted pension benefit payments as of December 31, 2021, are as follows:

(In millions of Korean won)

	<b>Up to 1 year</b>	<b>1~2 years</b>	<b>2~5 years</b>	<b>5~10 years</b>	<b>Over 10 years</b>	<b>Total</b>
Pension benefits	47,391	122,390	488,652	1,083,601	4,054,621	5,796,655

The weighted average duration of the defined benefit obligation is 9.41 and 8.65 years as of December 31, 2021 and 2020, respectively.

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23.9 Reasonable estimation of expected contribution to plan assets for the next annual reporting period after December 31, 2021 is ₩ 164,000 million.

**24. Other Liabilities**

Details of other liabilities as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Other financial liabilities</b>		
Other payables	2,756,641	3,866,318
Prepaid card and debit card payables	1,237	1,079
Accrued expenses	2,178,928	2,390,334
Financial guarantee contracts liabilities	50,390	45,817
Deposits for letter of guarantees and others	387,082	456,536
Domestic exchange settlement credits	5,121,689	933,330
Foreign exchange settlement credits	169,264	134,678
Due to trust accounts	7,033,849	7,542,955
Liabilities incurred from agency relationships	739,276	765,844
Account for agency business	423,798	400,507
Lease liabilities	375,472	380,629
Others	477,572	58,299
	<b>19,715,198</b>	<b>16,976,326</b>
<b>Other non-financial liabilities</b>		
Other payables	660,409	858,865
Unearned revenue	70,111	55,830
Accrued expenses	489,686	414,683
Withholding taxes	118,308	120,816
Others	35,859	55,226
	<b>1,374,373</b>	<b>1,505,420</b>
	<b>21,089,571</b>	<b>18,481,746</b>

**25. Equity**

**25.1 Capital Stock**

Details of capital stock as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won and in number of shares)</i>	<b>Ordinary shares</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Type of share	Ordinary share	Ordinary share
Number of authorized shares	1,000,000,000	1,000,000,000
Par value per share <i>(In Korean won)</i>	5,000	5,000
Number of issued shares	404,379,116	404,379,116
Capital stock	2,021,896	2,021,896

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25.2 Hybrid Security

Details of hybrid security classified as equity as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>Issuance date</b>	<b>Maturity</b>	<b>Interest rate (%)</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Amortized Conditional Capital Securities	July 2, 2019	Permanent	4.35	574,523	574,523

Above hybrid securities are early redeemable by the Group after 5 years from the issuance date and each interest payment date thereafter.

25.3 Capital Surplus

Details of capital surplus as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Paid-in capital in excess of par value	4,604,417	4,604,417
Gains on business combination	397,669	397,669
Revaluation reserve	177,229	177,229
Other capital surplus	(153,980)	(370,833)
	<u>5,025,335</u>	<u>4,808,482</u>

25.4 Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Remeasurements of net defined benefit liabilities	(292,232)	(220,178)
Currency translation differences	68,224	(118,526)
Gains (losses) on debt securities measured at fair value through other comprehensive income	(186,463)	88,478
Gains on equity securities measured at fair value through other comprehensive income	1,838,548	733,332
Share of other comprehensive loss of associates	(2,526)	(2,691)
Losses on cash flow hedging instruments	(89)	(10,073)
Gains (losses) on hedging instruments of net investments in foreign operations	(30,306)	24,103
	<u>1,395,156</u>	<u>494,445</u>

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25.5 Retained Earnings

25.5.1 Details of retained earnings as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Legal reserves	2,043,729	2,042,675
Regulatory reserve for credit losses	2,534,401	2,441,875
Voluntary reserves	16,742,471	15,809,196
Unappropriated retained earnings	2,340,120	1,949,806
	<u>23,660,721</u>	<u>22,243,552</u>

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

25.5.2 Regulatory reserve for credit losses

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

25.5.2.1 Details of regulatory reserve for credit losses as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Regulatory reserve for credit losses attributable to:		
Shareholder of the Bank	2,915,162	2,534,401
Non-controlling interests	60,265	34,138
	<u>2,975,427</u>	<u>2,568,539</u>

25.5.2.2 Regulatory reserve for credit losses estimated to be appropriated and adjusted profit after provision of regulatory reserve for credit losses for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Regulatory reserve for credit losses estimated to be appropriated	380,761	92,526
Adjusted profit after provision of regulatory reserve for credit losses *	2,210,003	2,205,669

\* Adjusted profit after provision of regulatory reserve for credit losses is not based on Korean IFRS. It is calculated by reflecting provision of regulatory reserve for credit losses before tax to the net profit attributable to shareholder of the Bank.

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**26. Net Interest Income**

Details of interest income, interest expense, and net interest income for the years ended December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>2021</b>	<b>2020</b>
<b>Interest income</b>		
Securities measured at fair value through profit or loss	158,057	189,396
Loans measured at fair value through profit or loss	715	1,596
Securities measured at fair value through other comprehensive income	454,561	500,582
Loans measured at fair value through other comprehensive income	3,003	6,161
Due from financial institutions measured at amortized cost	25,466	36,880
Securities measured at amortized cost	307,447	284,277
Loans measured at amortized cost	9,487,206	9,246,075
Others	237,906	191,198
	<u>10,674,361</u>	<u>10,456,165</u>
<b>Interest expense</b>		
Deposits	2,179,196	2,885,914
Borrowings	251,523	307,561
Debentures	453,761	445,350
Others	61,405	62,574
	<u>2,945,885</u>	<u>3,701,399</u>
<b>Net interest income</b>	<u>7,728,476</u>	<u>6,754,766</u>

Interest income recognized on impaired loans is ₩ 17,926 million and ₩ 22,173 million for the years ended December 31, 2021 and 2020, respectively.

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**27. Net Fee and Commission Income**

Details of fee and commission income, fee and commission expense, and net fee and commission income for the years ended December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>2021</b>	<b>2020</b>
<b>Fee and commission income</b>		
Banking activity fees	188,079	196,196
Lending activity fees	73,500	85,547
Credit card related fees	2,106	1,083
Debit card related fees	568	497
Agent activity fees	286,286	320,912
Trust and other fiduciary fees	307,632	233,595
Acceptances and guarantees fees	46,597	46,904
Foreign currency related fees	128,945	111,294
Securities agency fees	146,989	153,481
Other business account commission on consignment	39,178	40,461
Others	367,064	259,717
	<u>1,586,944</u>	<u>1,449,687</u>
<b>Fee and commission expense</b>		
Trading activity related fees *	13,092	12,939
Lending activity fees	47,861	41,105
Credit card related fees	31,298	28,108
Outsourcing related fees	104,214	108,521
Foreign currency related fees	17,101	21,198
Management fees of written-off loans	16,392	15,597
Contributions to external institutions	23,574	24,016
Others	145,531	130,281
	<u>399,063</u>	<u>381,765</u>
<b>Net fee and commission income</b>	<u>1,187,881</u>	<u>1,067,922</u>

\* Fees from financial instruments at fair value through profit or loss

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**28. Net Gains or Losses on Financial Instruments at Fair Value through Profit or Loss**

Net gains or losses on financial instruments at fair value through profit or loss include dividend income, gains or losses arising from changes in fair value, and gains or losses arising from sales and redemptions.

Details of net gains or losses on financial instruments at fair value through profit or loss for the years ended December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>2021</b>	<b>2020</b>
<b>Gains on financial instruments at fair value through profit or loss</b>		
Financial assets at fair value through profit or loss:		
Debt securities	387,421	351,761
Equity securities	50,392	63,524
	<u>437,813</u>	<u>415,285</u>
Derivatives held for trading:		
Interest rate	3,506,695	1,594,891
Currency	7,102,646	7,625,271
Stock or stock index	675	1,556
Others	1,433	1,464
	<u>10,611,449</u>	<u>9,223,182</u>
Financial liabilities at fair value through profit or loss	1,345	291
Other financial instruments	6,754	689
	<u>11,057,361</u>	<u>9,639,447</u>
<b>Losses on financial instruments at fair value through profit or loss</b>		
Financial assets at fair value through profit or loss:		
Debt securities	276,727	100,190
Equity securities	30,068	23,524
	<u>306,795</u>	<u>123,714</u>
Derivatives held for trading:		
Interest rate	3,415,836	1,678,151
Currency	6,982,145	7,589,724
Stock or stock index	16	2,858
Credit	70	-
Others	2,212	285
	<u>10,400,279</u>	<u>9,271,018</u>
Financial liabilities at fair value through profit or loss	613	416
Other financial instruments	6,840	116
	<u>10,714,527</u>	<u>9,395,264</u>
<b>Net gains on financial instruments at fair value through profit or loss</b>	<u>342,834</u>	<u>244,183</u>

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**29. Net Other Operating Income and Expenses**

Details of other operating income and expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Other operating income</b>		
Gains on financial assets at fair value through other comprehensive income:		
Gains on redemption of securities measured at fair value through other comprehensive income	2	279
Gains on disposal of securities measured at fair value through other comprehensive income	98,920	188,535
Gains on financial assets at amortized cost:		
Gains on sale of loans measured at amortized cost	42,020	93,643
Gains on redemption of securities measured at amortized cost	126	-
Gains on foreign exchange transactions	2,683,228	2,458,399
Dividend income	17,926	29,834
Others	376,107	203,829
	<u>3,218,329</u>	<u>2,974,519</u>
<b>Other operating expenses</b>		
Losses on financial assets at fair value through other comprehensive income:		
Losses on redemption of securities measured at fair value through other comprehensive income	2,172	247
Losses on disposal of securities measured at fair value through other comprehensive income	97,993	7,309
Losses on financial assets at amortized cost:		
Losses on sale of loans measured at amortized cost	3,560	10,278
Losses on redemption of securities measured at amortized cost	6	-
Losses on disposal of securities measured at amortized cost	2	-
Losses on foreign exchange transactions	2,676,760	2,094,443
Deposit insurance fee	466,999	449,076
Credit guarantee fund fee	263,297	242,216
Others	527,279	401,156
	<u>4,038,068</u>	<u>3,204,725</u>
<b>Net other operating expenses</b>	<u>(819,739)</u>	<u>(230,206)</u>



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**30. General and Administrative Expenses**

30.1 Details of general and administrative expenses for the years ended December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>2021</b>	<b>2020</b>
<b>Expenses related to employee</b>		
Employee benefits - salaries	1,705,537	1,605,098
Employee benefits - welfare	655,731	658,347
Post-employment benefits - defined benefit plans	158,512	159,393
Post-employment benefits - defined contribution plans	12,111	9,807
Termination benefits	266,541	302,118
Share-based payments	27,995	13,364
	<u>2,826,427</u>	<u>2,748,127</u>
<b>Depreciation and amortization</b>	<u>537,628</u>	<u>569,721</u>
<b>Other general and administrative expenses</b>		
Rental expense	70,078	66,070
Tax and dues	130,523	134,033
Communication	37,246	30,893
Electricity and utilities	30,586	25,825
Publication	7,078	7,848
Repairs and maintenance	36,806	17,392
Vehicle	11,903	9,791
Travel	3,738	2,776
Training	23,667	18,059
Service fees	175,579	134,421
Supplies	21,355	25,214
Electronic data processing expenses	175,307	161,562
Others	314,810	249,614
	<u>1,038,676</u>	<u>883,498</u>
	<u>4,402,731</u>	<u>4,201,346</u>

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30.2 Share-based Payments

30.2.1 Stock grants

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

30.2.1.1 Details of stock grants linked to long-term performance as of December 31, 2021, are as follows:

(In number of shares)

Stock grants	Grant date	Number of granted shares <sup>1</sup>	Vesting conditions <sup>2</sup>
Series 76	Apr. 1, 2019	5,765	Services fulfillment, Total Shareholder Return (TSR) 30~50%, and Company and work performance 50~70%
Series 77	May 27, 2019	4,396	Services fulfillment, TSR 30~50%, and Company and work performance 50~70%
Series 78	Nov. 21, 2019	36,443	Services fulfillment, TSR 30%, and EPS and Asset Quality 70%
Series 79	Jan. 1, 2020	223,517	Services fulfillment, TSR 0~50%, and Company and work performance 50~100%
Series 80	Mar. 1, 2020	7,943	Services fulfillment, TSR 30~50%, and Company and work performance 50~70%
Series 81	Jan. 1, 2021	234,366	Services fulfillment, TSR 0~30%, and Company and work performance 70~100%
Series 82	Mar. 1, 2021	18,202	Services fulfillment, TSR 0~30%, and Company and work performance 70~100%
Series 83	Apr. 1, 2021	7,871	Services fulfillment, TSR 0~30%, and Company and work performance 70~100%
Series 84	May 27, 2021	4,032	Services fulfillment, TSR 0~30%, and Company and work performance 70~100%
Deferred grant in 2015		760	Satisfied
Deferred grant in 2016		12,671	Satisfied
Deferred grant in 2017		9,763	Satisfied
Deferred grant in 2018		33,916	Satisfied
Deferred grant in 2019		66,067	Satisfied
Deferred grant in 2020		80,634	Satisfied
		<u>746,346</u>	

<sup>1</sup> Granted shares represent the total number of shares initially granted to executives and employees who have residual shares as of December 31, 2021 (Deferred grants are residual shares vested as of December 31, 2021).

<sup>2</sup> Executives and employees were given the right of choice about the timing of the deferred payment (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted shares is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

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30.2.1.2 Details of stock grants linked to short-term performance as of December 31, 2021, are as follows:

(In number of shares)

<b>Stock grants *</b>	<b>Grant date</b>	<b>Estimated number of vested shares</b>	<b>Vesting conditions</b>
Stock granted in 2015	Jan. 1, 2015	5,019	Satisfied
Stock granted in 2016	Jan. 1, 2016	12,867	Satisfied
Stock granted in 2017	Jan. 1, 2017	3,862	Satisfied
Stock granted in 2018	Jan. 1, 2018	38,067	Satisfied
Stock granted in 2019	Jan. 1, 2019	83,778	Satisfied
Stock granted in 2020	Jan. 1, 2020	135,336	Satisfied
Stock granted in 2021	Jan. 1, 2021	109,561	Proportion to service period

\* Executives and employees were given the right of choice about the timing of the deferred payment (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted shares is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

30.2.1.3 Stock grants are measured at fair value using the MonteCarlo simulation model and assumptions used in measuring the fair value as of December 31, 2021, are as follows:

(In Korean won)

	<b>Expected exercise period(years)</b>	<b>Risk-free rate (%)</b>	<b>Fair value (market performance condition)</b>	<b>Fair value (non- market performance condition)</b>
Series 76	0.00~3.00	1.35%	50,023~56,379	50,023~56,379
Series 77	0.00~3.00	1.35%	50,023~56,379	50,023~56,379
Series 78	0.00~3.00	1.35%	49,885~56,223	50,023~56,379
Series 79	0.00~3.00	1.35%	50,023~56,379	50,023~56,379
Series 80	0.16~4.00	1.35%	48,344~53,308	48,344~53,308
Series 81	1.00~4.00	1.35%	48,344~56,379	48,344~56,379
Series 82	1.16~5.00	1.35%	46,800~51,523	46,800~51,523
Series 83	1.25~5.00	1.35%	46,800~51,523	46,800~51,523
Series 84	1.40~5.00	1.35%	46,800~51,523	46,800~51,523
Grant deferred in 2015	-	1.35%	-	56,379~56,379
Grant deferred in 2016	0.00~2.00	1.35%	-	47,153~56,379
Grant deferred in 2017	0.00~2.00	1.35%	-	51,523~56,379
Grant deferred in 2018	0.00~2.00	1.35%	-	51,523~56,379
Grant deferred in 2019	0.00~1.00	1.35%	-	45,096~56,379
Grant deferred in 2020	0.00~2.00	1.35%	-	51,523~56,379
Stock granted in 2015	0.00~2.00	1.35%	-	47,153~56,379
Stock granted in 2016	0.00~3.00	1.35%	-	47,153~56,379
Stock granted in 2017	0.00~2.00	1.35%	-	51,523~56,379
Stock granted in 2018	0.00~2.00	1.35%	-	51,523~56,379
Stock granted in 2019	0.00~1.00	1.35%	-	53,308~56,379
Stock granted in 2020	0.00~2.00	1.35%	-	51,523~56,379
Stock granted in 2021	0.46~3.00	1.35%	-	50,023~54,229

The Group uses the volatility of the stock price over the previous year as the expected volatility, and uses the arithmetic mean of the price-dividend ratio of one year before, two years before, and three years before the base year as the dividend yield and uses one-year risk-free rate of Korea Treasury Bond in order to measure the fair value.

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30.2.1.4 The accrued expenses for share-based payments related to stock grants are ₩ 53,577 million and ₩ 39,499 million as of December 31, 2021 and 2020, respectively, and the compensation costs amounting to ₩ 27,995 million and ₩ 13,364 million were recognized for the years ended December 31, 2021 and 2020, respectively.

30.2.2 Mileage stock

30.2.2.1 Details of mileage stock as of December 31, 2021, are as follows:

(In number of shares)

Grant date	Number of granted shares <sup>1</sup>	Expected exercise period (years) <sup>2</sup>	Remaining shares
<i>Stock granted in 2019</i>			
Jan. 11, 2019	26,580	0.00~0.03	14,907
Apr. 1, 2019	167	0.00~0.25	73
Apr. 18, 2019	105	0.00~0.29	45
Apr. 22, 2019	33	0.00~0.30	17
Jul. 1, 2019	109	0.00~0.50	87
Aug. 29, 2019	39	0.00~0.66	35
Sep. 2, 2019	50	0.00~0.67	28
Nov. 1, 2019	119	0.00~0.83	71
Nov. 8, 2019	14	0.00~0.85	6
Dec. 5, 2019	56	0.00~0.93	43
Dec. 6, 2019	84	0.00~0.93	82
Dec. 31, 2019	87	0.00~1.00	65
<i>Stock granted in 2020</i>			
Jan. 18, 2020	28,645	0.00~1.05	19,435
May 12, 2020	46	0.00~1.36	44
Jun. 30, 2020	206	0.00~1.50	206
Aug. 26, 2020	40	0.00~1.65	40
Oct. 29, 2020	160	0.00~1.83	160
Nov. 6, 2020	45	0.00~1.85	37
Nov. 30, 2020	35	0.00~1.92	34
Dec. 2, 2020	57	0.00~1.92	53
Dec. 4, 2020	154	0.00~1.93	141
Dec. 30, 2020	88	0.00~2.00	86
<i>Stock granted in 2021</i>			
Jan. 15, 2021	28,156	0.00~2.04	26,708
Apr. 5, 2021	89	0.00~2.26	89
Jul. 1, 2021	54	0.00~2.50	54
Jul. 2, 2021	11	0.00~2.50	11
Jul. 27, 2021	70	0.00~2.57	70
Nov. 1, 2021	71	0.00~2.84	71
Nov. 16, 2021	53	0.00~2.88	53
Dec. 3, 2021	91	0.00~2.92	91
Dec. 6, 2021	87	0.00~2.93	87
Dec. 30, 2021	76	0.00~3.00	76
	<u>85,677</u>		<u>63,005</u>

<sup>1</sup> Mileage stock is exercisable for two years after one year from the grant date at the closing price of the end of the previous month. However, mileage stock can be exercised at the closing price of the end of the previous month on the date of occurrence of retirement or transfer despite a one-year grace period.

<sup>2</sup> Assessed based on the stock price as of December 31, 2021. These shares are vested immediately at grant date.

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30.2.2.2 The accrued expenses for share-based payments related to mileage stock are ₩ 3,465 million and ₩ 2,862 million as of December 31, 2021 and 2020, respectively. The compensation costs amounting to ₩ 2,116 million and ₩ 1,086 million were recognized as expenses for the years ended December 31, 2021 and 2020, respectively.

**31. Net Other Non-Operating Income and Expenses**

Details of other non-operating income and expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Other non-operating income</b>		
Gains on disposal of property and equipment and assets held for sale	11,478	97,905
Rental income	19,238	36,463
Others	29,443	25,133
	<u>60,159</u>	<u>159,501</u>
<b>Other non-operating expenses</b>		
Losses on disposal of property and equipment and assets held for sale	10,522	2,198
Donation	75,909	88,987
Restoration costs	2,743	2,413
Others	50,590	37,059
	<u>139,764</u>	<u>130,657</u>
<b>Net other non-operating income (expenses)</b>	<u>(79,605)</u>	<u>28,844</u>

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**32. Income Tax Expense**

32.1 Details of income tax expense for the years ended December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>2021</b>	<b>2020</b>
<b>Income tax payable</b>		
Current income tax expense	895,895	1,034,430
Adjustments of income tax of prior years recognized in current tax	5,331	(19,390)
	<u>901,226</u>	<u>1,015,040</u>
Changes in deferred income tax assets and liabilities	263,181	93,480
Income tax expense of overseas branches	20,920	15,795
Income tax recognized directly in equity:		
Net gains or losses on equity instruments at fair value through other comprehensive income	(419,220)	(163,101)
Net gains or losses on debt instruments at fair value through other comprehensive income	106,811	(13,227)
Currency translation differences	(9,166)	10,516
Remeasurements of net defined benefit liabilities	28,201	1,518
Gains or losses on hedging instruments of net investments in foreign operations	20,637	(23,263)
Gains or losses on cash flow hedging instruments	(3,787)	2,421
Share of other comprehensive income or loss of associates	(63)	2,647
	<u>(276,587)</u>	<u>(182,489)</u>
Reclassification from AOCI to retained earnings due to sale of equity securities measured at fair value through other comprehensive income	87,814	(89,763)
Consolidated tax return effect	(45,308)	(39,238)
Others	2,269	(521)
<b>Income tax expense</b>	<u><u>953,515</u></u>	<u><u>812,304</u></u>

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32.2 Analysis of the relationship between net profit before income tax expense and income tax expense for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>2021</b>	<b>2020</b>
<b>Profit before income tax expense</b>	3,491,544	3,131,823
Income tax at the applicable tax rate *	949,814	850,890
Non-taxable income	(14,491)	(10,318)
Non-deductible expenses	11,539	6,960
Tax credit and tax exemption	-	(1,197)
Temporary difference for which no deferred tax is recognized	21,967	21,066
Income tax refund for tax of prior years	(17,187)	(27,913)
Income tax expense of overseas branches	20,920	15,795
Tax effect of investments in subsidiaries	20,942	(1,804)
Foreign subsidiary tax rate difference effect	(842)	(8,727)
Consolidated tax return effect	(45,309)	(39,238)
Others	6,162	6,790
<b>Income tax expense</b>	<b>953,515</b>	<b>812,304</b>
<b>Income tax expense/Profit before income tax (%)</b>	<b>27.31</b>	<b>25.94</b>

\* Applicable income tax rate for ₩ 200 million and below is 11%, for over ₩ 200 million to ₩ 20 billion is 22%, for over ₩ 20 billion to ₩ 300 billion is 24.2% and for over ₩ 300 billion is 27.5% for the years ended December 31, 2021 and 2020.

32.3 Details of current tax liabilities (income tax payables) and current tax assets (income tax refund receivables) before offsetting as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Tax payables after offsetting <sup>1,2</sup>	480,218	604,763
Adjustment on consolidated tax payable and others <sup>3</sup>	(45,308)	(39,238)
Consolidated tax return accounts payables <sup>4</sup>	(377,629)	(528,044)
Current tax payable	<b>57,281</b>	<b>37,481</b>

<sup>1</sup> Current tax assets of ₩ 44,942 million and ₩ 36,462 million due to uncertain tax position and current tax assets of ₩ 16,372 million and ₩ 11,385 million for overseas branches were excluded, which does not qualify for offsetting as of December 31, 2021 and 2020, respectively.

<sup>2</sup> Includes income tax payable of ₩ 57,281 million and ₩ 37,481 million under current tax liabilities, which are not to be offset against any income tax refund receivables, such as those of overseas branches as of December 31, 2021 and 2020, respectively.

<sup>3</sup> Tax expense reduced due to the adoption of consolidated tax return was recognized as tax benefit.

<sup>4</sup> The amount of income tax payable is reclassified as accounts payable, not to the tax authority, but to KB Financial Group Inc. due to the adoption of consolidated tax return.

### 33. Dividends

The annual dividends to the shareholder of the Bank for the year ended December 31, 2021, amounting to ₩ 1,031,167 million (₩ 2,550 per share) is to be proposed at the general shareholder's meeting scheduled for March 24, 2022. The Group's consolidated financial statements as of and for the year ended December 31, 2021, do not reflect this dividend payable.

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

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>2021</b>					
	<b>Beginning</b>	<b>Changes (excluding reclassifica- tion)</b>	<b>Reclassification to profit or loss</b>	<b>Tax effect</b>	<b>Transfer to retained earnings</b>	<b>Ending</b>
Remeasurements of net defined benefit liabilities	(220,178)	(100,255)	-	28,201	-	(292,232)
Currency translation differences	(118,526)	193,922	1,994	(9,166)	-	68,224
Gains on (losses) debt securities measured at fair value through other comprehensive income	88,478	(385,466)	3,714	106,811	-	(186,463)
Gains on equity securities measured at fair value through other comprehensive income	733,332	1,205,112	-	(419,220)	319,324	1,838,548
Share of other comprehensive loss of associates	(2,691)	228	-	(63)	-	(2,526)
Losses on cash flow hedging instruments	(10,073)	11,468	2,303	(3,787)	-	(89)
Gains (losses) on hedging instruments of net investments in foreign operations	24,103	(80,241)	5,195	20,637	-	(30,306)
	<u>494,445</u>	<u>844,768</u>	<u>13,206</u>	<u>(276,587)</u>	<u>319,324</u>	<u>1,395,156</u>

(In millions of Korean won)

	<b>2020</b>					
	<b>Beginning</b>	<b>Changes (excluding reclassifica- tion)</b>	<b>Reclassification to profit or loss</b>	<b>Tax effect</b>	<b>Transfer to retained earnings</b>	<b>Ending</b>
Remeasurements of net defined benefit liabilities	(216,067)	(5,629)	-	1,518	-	(220,178)
Currency translation differences	15,943	(144,985)	-	10,516	-	(118,526)
Gains on debt securities measured at fair value through other comprehensive income	56,750	129,688	(84,733)	(13,227)	-	88,478
Gains on equity securities measured at fair value through other comprehensive income	303,338	919,505	-	(163,101)	(326,410)	733,332
Share of other comprehensive income (loss) of associates	4,287	(3,725)	(5,900)	2,647	-	(2,691)
Losses on cash flow hedging instruments	(3,691)	(10,553)	1,750	2,421	-	(10,073)
Gains (losses) on hedging instruments of net investments in foreign operations	(37,226)	84,592	-	(23,263)	-	24,103
	<u>123,334</u>	<u>968,893</u>	<u>(88,883)</u>	<u>(182,489)</u>	<u>(326,410)</u>	<u>494,445</u>



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**35. Trust Accounts**

35.1 Financial information of the trust accounts the Group manages, as of and for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	Total assets		Operating revenues	
	December 31, 2021	December 31, 2020	2021	2020
Consolidated	4,372,406	4,460,439	92,012	138,422
Unconsolidated (non-guaranteed)	68,491,476	54,197,612	2,002,166	1,872,611
	72,863,882	58,658,051	2,094,178	2,011,033

\* Financial information of the trust accounts has been prepared in accordance with the Statement of Korea Accounting Standard No.5004, *Trust Accounts*, and enforcement regulations of the Financial Investment Services under the Financial Investment Services and Capital Markets Act.

35.2 Significant receivables and payables related to the Group's trust accounts as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		December 31, 2021	December 31, 2020
<b>Trust segment</b>	<b>Receivables</b>		
	Accrued trust fees	30,288	43,590
	Other accrued income	23,848	21,898
		54,136	65,488
	<b>Payables</b>		
	Due to trust accounts	1,019,236	2,428,780
	Accrued interest on due to trust accounts	3,949	5,088
	Deposits	485,126	284,971
	Accrued interest on deposits	1,735	811
		1,510,046	2,719,650
<b>Custody segment</b>	<b>Receivables</b>		
	Accrued trust fees	7,689	6,453
	<b>Payables</b>		
	Due to trust accounts	6,014,613	5,114,175
	Accrued interest on due to trust accounts	3,599	1,124
		6,018,212	5,115,299

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35.3 Significant revenues and expenses related to the Group's trust accounts for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		<b>2021</b>	<b>2020</b>
<b>Trust segment</b>	<b>Revenues</b>		
	Fees and commissions from trust accounts	270,977	200,718
	Management fees and commissions from retirement pension	28,387	22,238
	Commissions from early termination in trust accounts	36	45
		<u>299,400</u>	<u>223,001</u>
	<b>Expenses</b>		
	Interest expenses on due to trust accounts	11,150	10,663
<b>Custody segment</b>	Interest expenses on deposits	4,868	4,013
		<u>16,018</u>	<u>14,676</u>
	<b>Revenues</b>		
	Fees and commissions from trust accounts	36,656	32,878
	<b>Expenses</b>		
	Interest expenses on due to trust accounts	20,470	19,969

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**36. Statement of Cash Flows**

36.1 Details of cash and cash equivalents as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash	2,494,543	2,558,591
Checks issued by other banks	150,047	327,780
Due from the Bank of Korea	16,038,651	11,649,551
Due from other financial institutions	6,481,750	5,436,347
	<u>25,164,991</u>	<u>19,972,269</u>
Deduction:		
Restricted due from financial institutions	(17,865,725)	(12,773,039)
Due from financial institutions with original maturities over three months	(302,075)	(394,931)
	<u>(18,167,800)</u>	<u>(13,167,970)</u>
	<u>6,997,191</u>	<u>6,804,299</u>

36.2 Significant non-cash transactions for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Write-offs of loans	484,243	648,967
Changes in accumulated other comprehensive income from valuation of debt securities measured at fair value through other comprehensive income	(274,941)	31,728
Changes in accumulated other comprehensive income from valuation of equity securities measured at fair value through other comprehensive income	1,105,217	429,994
Changes in accumulated other comprehensive income from valuation of investments in associates	165	(6,978)
Changes in financial investments due to debt-for-equity swap	327	13,820

36.3 Cash inflows and outflows from income tax, interest, and dividends for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>Activities</b>	<b>2021</b>	<b>2020</b>
Income tax paid	Operating	1,043,878	836,703
Interest received	Operating	10,843,378	10,812,128
Interest paid	Operating	3,169,577	4,258,011
Dividends received	Operating	170,449	105,098
Dividends paid	Financing	917,941	1,330,407
Interest (dividends) paid on hybrid securities	Financing	24,144	25,658

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36.4 Changes in liabilities arising from financing activities for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021							
	Derivatives held for hedging *	Borrowings	Debentures	Due to trust accounts	Lease liabilities	Deposits for letter of guarantees	Other payables	Total
Beginning	(142,840)	26,870,831	26,969,584	7,542,955	380,629	456,536	419,308	62,497,003
Cash flow	5,870	4,743,115	2,415,697	(509,106)	(162,954)	(71,326)	(373,592)	6,047,704
New lease and termination	-	-	-	-	147,470	-	-	147,470
Exchange differences	-	909,325	370,021	-	-	-	33,516	1,312,862
Changes in fair values	41,762	-	(126,419)	-	-	-	-	(84,657)
Changes from business combination	-	-	-	-	-	-	51,377	51,377
Other changes from non-cash transactions	7,083	(110)	89,851	-	10,327	1,872	(22,494)	86,529
Ending	(88,125)	32,523,161	29,718,734	7,033,849	375,472	387,082	108,115	70,058,288

(In millions of Korean won)

	2020							
	Derivatives held for hedging *	Borrowings	Debentures	Due to trust accounts	Lease liabilities	Deposits for letter of guarantees	Other payables	Total
Beginning	(114,590)	19,141,262	18,739,992	5,216,460	344,417	286,946	61,284	43,675,771
Cash flow	(16,202)	6,332,405	8,298,952	2,326,495	(163,382)	169,500	(31,122)	16,916,646
New lease and termination	-	-	-	-	158,859	-	-	158,859
Exchange differences	-	(479,481)	(324,374)	-	-	-	(45,273)	(849,128)
Changes in fair values	(36,017)	-	12,018	-	-	-	-	(23,999)
Changes from business combination	-	1,876,826	229,277	-	32,436	-	419,738	2,558,277
Other changes from non-cash transactions	23,969	(181)	13,719	-	8,299	90	14,681	60,577
Ending	(142,840)	26,870,831	26,969,584	7,542,955	380,629	456,536	419,308	62,497,003

\* Derivatives held for hedging purposes are the net amount after offsetting liabilities and assets.

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**37. Contingent Liabilities and Commitments**

37.1 Details of acceptances and guarantees as of December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Confirmed acceptances and guarantees</b>		
Confirmed acceptances and guarantees in Korean won:		
Acceptances and guarantees for KB purchasing loan	136,914	144,457
Performance bond	3,476	3,476
Refund guarantees	27,811	27,811
Others	786,183	1,017,561
	<u>954,384</u>	<u>1,193,305</u>
Confirmed acceptances and guarantees in foreign currencies:		
Acceptances of letter of credit	523,037	221,422
Letter of guarantees	83,089	45,693
Bid bond	18,874	72,037
Performance bond	855,247	703,826
Refund guarantees	874,173	801,445
Others	2,518,394	3,084,067
	<u>4,872,814</u>	<u>4,928,490</u>
Financial guarantee contracts:		
Acceptances and guarantees for issuance of debenture	5,040	10,040
Acceptances and guarantees for mortgage	51,053	89,302
Overseas debt guarantees	428,108	410,470
International financing guarantees in foreign currencies	132,114	197,097
Other financial guarantees in Korean won	50,950	50,950
	<u>667,265</u>	<u>757,859</u>
	<u>6,494,463</u>	<u>6,879,654</u>
<b>Unconfirmed acceptances and guarantees</b>		
Guarantees of letter of credit	3,551,767	2,094,989
Refund guarantees	833,765	344,112
	<u>4,385,532</u>	<u>2,439,101</u>
	<u>10,879,995</u>	<u>9,318,755</u>

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37.2 Credit qualities of acceptances and guarantees as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

(In millions of Korean won)		December 31, 2021		
		Lifetime		
	12-month expected credit losses	expected credit losses		
		Non-impaired	Impaired	Total
Confirmed acceptances and guarantees *				
Grade 1	4,545,788	838	-	4,546,626
Grade 2	1,594,713	32,567	-	1,627,280
Grade 3	105,691	46,174	-	151,865
Grade 4	7,722	149,785	214	157,721
Grade 5	-	774	10,197	10,971
	6,253,914	230,138	10,411	6,494,463
Unconfirmed acceptances and guarantees *				
Grade 1	3,083,636	3,391	-	3,087,027
Grade 2	998,204	39,224	-	1,037,428
Grade 3	12,039	34,797	-	46,836
Grade 4	11,925	195,794	-	207,719
Grade 5	-	138	6,384	6,522
	4,105,804	273,344	6,384	4,385,532
	10,359,718	503,482	16,795	10,879,995

(In millions of Korean won)

(In millions of Korean won)		December 31, 2020		
		Lifetime		
	12-month expected credit losses	expected credit losses		
		Non-impaired	Impaired	Total
Confirmed acceptances and guarantees *				
Grade 1	4,377,798	1,119	-	4,378,917
Grade 2	2,281,423	47,438	-	2,328,861
Grade 3	27,588	85,321	-	112,909
Grade 4	14,925	33,440	501	48,866
Grade 5	-	453	9,648	10,101
	6,701,734	167,771	10,149	6,879,654
Unconfirmed acceptances and guarantees *				
Grade 1	1,422,528	771	-	1,423,299
Grade 2	912,209	28,506	-	940,715
Grade 3	11,399	23,069	-	34,468
Grade 4	2,369	29,934	-	32,303
Grade 5	-	589	7,727	8,316
	2,348,505	82,869	7,727	2,439,101
	9,050,239	250,640	17,876	9,318,755

\* Applied same criteria as the credit qualities classification of loans.

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37.3 Classifications of acceptances and guarantees by counterparty as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Confirmed guarantees</b>	<b>Unconfirmed guarantees</b>	<b>Total</b>	<b>Proportion (%)</b>
Large companies	5,444,961	3,377,150	8,822,111	81.09
Small and medium-sized companies	820,327	657,073	1,477,400	13.58
Public sector and others	229,175	351,309	580,484	5.33
	<b>6,494,463</b>	<b>4,385,532</b>	<b>10,879,995</b>	<b>100.00</b>

(In millions of Korean won)

	<b>December 31, 2020</b>			
	<b>Confirmed guarantees</b>	<b>Unconfirmed guarantees</b>	<b>Total</b>	<b>Proportion (%)</b>
Large companies	5,549,971	1,770,235	7,320,206	78.55
Small and medium-sized companies	695,860	459,487	1,155,347	12.40
Public sector and others	633,823	209,379	843,202	9.05
	<b>6,879,654</b>	<b>2,439,101</b>	<b>9,318,755</b>	<b>100.00</b>

37.4 Classifications of acceptances and guarantees by industry as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Confirmed guarantees</b>	<b>Unconfirmed guarantees</b>	<b>Total</b>	<b>Proportion (%)</b>
Financial institutions	398,801	10,114	408,915	3.76
Manufacturing	2,742,224	2,979,232	5,721,456	52.59
Service	676,440	38,920	715,360	6.58
Wholesale and retail	1,603,085	999,416	2,602,501	23.92
Construction	317,946	38,260	356,206	3.27
Public sector	28,257	99,841	128,098	1.18
Others	727,710	219,749	947,459	8.70
	<b>6,494,463</b>	<b>4,385,532</b>	<b>10,879,995</b>	<b>100.00</b>

(In millions of Korean won)

	<b>December 31, 2020</b>			
	<b>Confirmed guarantees</b>	<b>Unconfirmed guarantees</b>	<b>Total</b>	<b>Proportion (%)</b>
Financial institutions	644,915	5,870	650,785	6.98
Manufacturing	2,992,319	1,285,530	4,277,849	45.91
Service	920,352	89,457	1,009,809	10.84
Wholesale and retail	1,086,772	891,619	1,978,391	21.23
Construction	411,601	14,488	426,089	4.57
Public sector	104,925	103,285	208,210	2.23
Others	718,770	48,852	767,622	8.24
	<b>6,879,654</b>	<b>2,439,101</b>	<b>9,318,755</b>	<b>100.00</b>

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37.5 Details of commitments as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Commitments</b>		
Corporate loan commitments	44,763,099	39,529,706
Retail loan commitments	47,048,097	46,373,309
Other commitments in Korean won	1,300,000	1,300,000
Purchase of other securities	4,024,709	4,535,281
	<u>97,135,905</u>	<u>91,738,296</u>
<b>Financial guarantee contracts</b>		
Credit line	4,858,585	2,913,260
Purchase of securities	495,400	683,800
	<u>5,353,985</u>	<u>3,597,060</u>
	<u>102,489,890</u>	<u>95,335,356</u>

37.6 Other Matters (including litigation)

a) The Group has 61 pending lawsuits as a plaintiff (excluding simple lawsuits related to the collection or management of loans), with aggregate claims amount of ₩ 236,142 million, and details of pending lawsuits in which the Group is a defendant as of December 31, 2021, are as follows:

*(In number of cases, in millions of Korean won)*

<b>Lawsuits</b>	<b>No. of cases</b>	<b>Amount</b>	<b>Description of the lawsuits</b>	<b>Status of the lawsuits</b>
Request for a return of redemption amount	1	48,068	Kookmin Bank invested the assets entrusted by OO Asset Management and OO Investment Trust Management in the Fairfield Sentry Limited, and Fairfield Sentry Limited reinvested the assets in Bernard L. Madoff Investment Securities LLC managed by Bernard Madoff (Bernard L. Madoff Investment Securities LLC is in the liquidation process due to Ponzi scheme fraud-related losses). Bankruptcy trustee of Bernard L. Madoff Investment Securities LLC filed a lawsuit against Kookmin Bank seeking to return the amount of redemptions received by Kookmin Bank through Fairfield Sentry Limited.	Application for incineration by the defendant has been denied, and further proceedings are scheduled. [Related litigation is in progress at the New York Southern District Bankruptcy Court (10-3777) at the written complaint review stage]
Confirm the absence of debt	1	96,200	Galamat-Art LLP is a joint guarantor of the PF loan for the 'Kazakhstan Almaty City Complex Development Project' in which Kookmin Bank participated as a lender. OO Bank, the agent bank of the lending group, filed a provisional seizure and a lawsuit on the merits of the guarantee debt to the local court against Galamat-Art LLP. And Galamat-Art LLP filed a counterclaim against the lenders, including Kookmin Bank, to confirm the absence of debt denying the joint guarantee obligation.	Decision in the first trial on December 29, 2021. Won both lawsuits on the merits and counterclaim.  Galamat-Art LLP lodged an appeal.
Others	116	166,744	Others (excluding simple lawsuits related to the collection or management of loans)	
	<u>118</u>	<u>311,012</u>		



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b) The proliferation of COVID-19 has had a negative impact on the global economy, which may have an impact on the expected credit losses and potential impairment of assets in a particular portfolio, and it could negatively affect the revenue generation capability of the Group as follows:

- There is a possibility of uncertainty about the credit risk of a borrower that could be affected by COVID-19.
- Uncertainty may arise about forward-looking macroeconomic information related to expected credit losses.
- Korean won may depreciate against major foreign currencies. This may result in an increase in principal and interest payments on liabilities denominated in foreign currencies, and losses on foreign exchange transactions.
- A significant decrease in the fair value of the Group's investment in an entity that could be affected by COVID-19 pandemic can occur.

Meanwhile, the Group's accounting policy related to COVID-19 is described in Note 2.4 Critical accounting estimates and the impact on expected credit losses is described in Note 11.1 Changes in allowances for credit losses of loans and Note 22.2 Changes in provisions for credit losses of unused loan commitments, and acceptances and guarantees.

c) The Group has entered into an agreement with PT Bosowa Corporindo, a major shareholder of PT Bank KB Bukopin Tbk. Under this agreement, the Group and PT Bosowa Corporindo have a right of first refusal and a tag-along right. In addition, the Group can exercise its drag-along right for two years from the time three years have elapsed since the acquisition date (July 27, 2018) in certain cases, such as violation of the agreement between shareholders.

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**38. Subsidiaries**

38.1 Details of subsidiaries as of December 31, 2021, are as follows:

Investor	Investee	Ownership (%)	Location	Industry
Kookmin Bank	Kookmin Bank Cambodia Plc.	100.00	Cambodia	Banking and foreign exchange transaction
Kookmin Bank	Kookmin Bank (China) Ltd.	100.00	China	Banking and foreign exchange transaction
Kookmin Bank	KB Microfinance Myanmar Co., Ltd.	100.00	Myanmar	Microfinance services
Kookmin Bank	KB Bank Myanmar Co., Ltd.	100.00	Myanmar	Banking and foreign exchange transaction
Kookmin Bank, Kookmin Bank Cambodia Plc.	PRASAC Microfinance Institution Plc.	100.00	Cambodia	Microfinance services
Kookmin Bank	PT Bank KB Bukopin Tbk	67.00	Indonesia	Banking and foreign exchange transaction
PT Bank KB Bukopin Tbk	PT Bank Syariah Bukopin	92.78	Indonesia	Banking
PT Bank KB Bukopin Tbk	PT Bukopin Finance	97.04	Indonesia	Installment financing
Kookmin Bank	Personal pension trust and 10 others <sup>1</sup>	0.00	Korea	Trust
Kookmin Bank	KBL Incheon 1st L.L.C. and 58 others <sup>2</sup>	0.00	Korea	Asset-backed securitization and others
Kookmin Bank	KB Wise Star Private Real Estate Feeder Fund No.1 <sup>2</sup>	86.00	Korea	Investment trust
Kookmin Bank	KB Haeorum Private Securities Fund No.83 (Bond) <sup>2</sup>	99.90	Korea	Investment trust
Kookmin Bank	Kiwoom Frontier Private Securities Fund No.10 (Bond) <sup>2</sup>	99.68	Korea	Investment trust
Kookmin Bank	Woori SafePlus Private Securities Fund S-8 <sup>2</sup>	90.91	Korea	Investment trust
Kookmin Bank	NH-Amundi Global Private Securities Investment Trust No.1 (USD) (Bond) <sup>2</sup>	99.86	Korea	Investment trust
Kookmin Bank	Meritz Private Real Estate Fund No.9-2 <sup>2</sup>	99.98	Korea	Investment trust
Kookmin Bank	AIP US Red Private Real Estate Trust No.10 <sup>2</sup>	99.97	Korea	Investment trust
Kookmin Bank	KB KBSTAR 3-Year Futures Inverse Securities ETF (Debt-Derivative) <sup>2</sup>	97.08	Korea	Investment trust
Kookmin Bank	KB Core Blind Private Real Estate Fund No.1 <sup>2</sup>	90.09	Korea	Investment trust
KB Core Blind Private Real Estate Fund No.1	KB Wise Star Real Estate Fund No.3 <sup>2</sup>	46.65	Korea	Investment trust
Kookmin Bank	KB Global Private Real Estate Debt Fund No.3 (USD) <sup>2</sup>	99.50	Korea	Investment trust
Kookmin Bank	Samsung Credit Value Plus Professional Investment Type Private Securities Fund (Bond) <sup>2</sup>	98.00	Korea	Investment trust
Kookmin Bank	KB Emerging Markets Dept Private Securities Fund(USD)(Bond) <sup>2</sup>	99.84	Korea	Investment trust
Kookmin Bank	Samsung SRA Private Real Estate Investment Trust No.28D <sup>2</sup>	99.50	Korea	Investment trust
Kookmin Bank	KIM Basic Private Securities Fund No.102 (Bond) <sup>2</sup>	99.80	Korea	Investment trust

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Kookmin Bank	KB Global Private Real Estate Debt Fund No.10 <sup>2</sup>	99.83	Korea	Investment trust
Kookmin Bank	KB KBSTAR Active Korea Short Term Bond Market(AA-) ETF <sup>2</sup>	78.62	Korea	Investment trust
Kookmin Bank	KTB Global CREDebt No.52 <sup>2</sup>	99.44	Korea	Investment trust
Kookmin Bank	Hyundai Invest KKR Europe Real Estate No.1-3 <sup>2</sup>	98.60	Korea	Investment trust
Kookmin Bank	KBSTAR FKTB 5Y Duration Following ETF <sup>2</sup>	99.02	Korea	Investment trust
Kookmin Bank	NH-Amundi Private Securities Investment Trust S5(USD)(BOND) <sup>2</sup>	85.71	Korea	Investment trust
Kookmin Bank	Vestas Investors Private Real Estate Fund Investment Trust No.69-3 <sup>2</sup>	99.52	Korea	Investment trust

<sup>1</sup> The Group controls the trust because it has power to determine the management performance of the trust and is exposed to variable returns that absorb losses through the guarantees of payment of principal, or payment of principal and fixed rate of return.

<sup>2</sup> The Group controls these investees because it is significantly exposed to variable returns from the investees' performance and has ability to affect those returns through its power.

The Group holds more than half of the ownership interests of Koreit BN Private Equity Fund and four other investment trusts but does not have the power over relevant activities in accordance with agreements with trust and other shareholders, therefore these entities are not consolidated.

38.2 The condensed financial information of major subsidiaries as of and for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	December 31, 2021			2021	
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the period
Kookmin Bank Cambodia Plc.	559,442	440,502	118,940	28,032	11,694
Kookmin Bank (China) Ltd.	3,812,297	3,295,555	516,742	182,989	14,064
KB Microfinance Myanmar Co., Ltd.	16,549	3,507	13,042	6,020	(6,249)
PRASAC Microfinance Institution Plc.	5,128,845	4,329,971	798,874	796,169	205,342
PT Bank KB Bukopin Tbk	6,958,949	6,320,222	638,727	413,973	(272,526)
KB Bank Myanmar Co., Ltd.	242,396	8,409	233,987	480	(3,005)
Personal pension trust and 10 others	4,381,035	4,261,394	119,641	95,531	2,333

(In millions of Korean won)

	December 31, 2020			2020	
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the period
Kookmin Bank Int'l Ltd. (London) *	-	-	-	-	(4,587)
Kookmin Bank Cambodia Plc.	385,974	287,936	98,038	21,841	5,499
Kookmin Bank (China) Ltd.	3,323,048	2,874,258	448,790	167,781	13,967
KB Microfinance Myanmar Co., Ltd.	36,112	13,004	23,108	7,351	388
PRASAC Microfinance Institution Plc.	3,914,890	3,376,992	537,898	588,359	118,339
PT Bank KB Bukopin Tbk	5,841,168	5,530,648	310,520	106,358	(43,402)
KB Bank Myanmar Co., Ltd.	220,105	2,505	217,600	-	-
Personal pension trust and 10 others	4,483,007	4,365,699	117,308	138,481	2,841

\* Liquidated during the year ended December 31, 2020.

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38.3 The Characteristics of Risks Associated with Consolidated Structured Entities

The terms of contractual arrangements to provide financial support to consolidated structured entities are as follows:

38.3.1 The Bank has provided capital commitments to consolidated investment funds.

(In millions of Korean won)

	December 31, 2021	
	Capital commitments	Unused amount
KB Wise Star Private Real Estate Feeder Fund No.1	172,000	817
Meritz Private Real Estate Fund No.9-2	59,263	7,876
KB Core Blind Private Real Estate Fund No.1	100,000	175
KTB Global CREDebt No.52	59,275	19,542
Hyundai Invest KKR Europe Real Estate No.1-3	53,694	30,069
Vestas Investors Private Real Estate Fund Investment Trust No.69-3	75,872	56,882

38.3.2 The Bank has provided purchase commitment and credit line to consolidated structured entities. The purchase commitment guarantees that the Bank will purchase and pay any remaining commercial paper securities issued by consolidated structured entities. The credit line agreement requires the Bank to provide loans under certain conditions if there is a reason for suspension of issuance of commercial paper securities or if consolidated structured entities become insolvency due to other reasons.

(In millions of Korean won)

	December 31, 2021
LOG the 3rd L.L.C.	24,300
KBL Incheon 1st L.L.C.	101,000
KB DTower 1st L.L.C.	50,494
KB INO 2nd L.L.C.	30,171
KB Happy 1st L.L.C.	50,187
KB Socio the 1st L.L.C.	30,272
KB Industry the 1st L.L.C.	10,200
KBST the 1st L.L.C.	30,174
KBH the 4th L.L.C.	18,200
Great Forest the 1st L.L.C.	16,200
KBC the 3rd L.L.C.	35,116
KBH the 6th L.L.C.	50,093
Beomuh Landmark the 2nd L.L.C.	57,600
KB Industry 2nd L.L.C.	10,200
KB Handok the 1st L.L.C.	30,121
KB Heracles the 1st L.L.C.	25,186
SLT Gamsam Co., Ltd.	13,200
K Plus the 1st L.L.C.	200,098
KB Hwaseong the 1st L.L.C.	13,100
KB Livv H 1st L.L.C.	30,075
KB Beomcheon Land 1st L.L.C.	14,300
Livv H 1st L.L.C.	50,129
KB Eagles 1st Co., Ltd.	30,075
KB Manchon Harrington Co., Ltd.	17,702
KB Livv I 1st Co., Ltd.	50,162

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KB Cheongla Hill Co., Ltd.	60,356
KB Dong-in Central L.L.C.	20,080
KB Eagles 2nd Co., Ltd.	50,151
KBH Steal Co., Ltd.	150,185
KB Penta Co., Ltd.	27,287
KB Great Bear 1st L.L.C.	90,223
Ryan Mobility 1st L.L.C.	50,137
KB Chemical 1st Co., Ltd.	50,135
KB Eugene 1st Co., Ltd.	10,077
KB Harim 1st L.L.C.	30,098
KB Eagles 3rd Co., Ltd.	50,140
KB Winchest 1st Co., Ltd.	48,500
KB Dong-in Central 1st L.L.C.	17,200
LEP 2nd Co., Ltd.	70,000
KB River County L.L.C.	51,500
KB Buamsamjung 1st Co., Ltd.	50,323
KB Suchang 1st Co., Ltd.	41,800
KB LCC 2nd L.L.C.	45,410
Liiv H 2nd Co., Ltd.	30,037
KB Sungnae 1st L.L.C.	89,400
JT Capital 7th Asset Securitization Specialty Company	23,800
KB Landscape 1st L.L.C.	92,200
KB Pride 1st L.L.C.	35,950
KB Pride 2nd L.L.C.	45,182
KB Moonheung 1st Co., Ltd.	116
KB Gamil 1st Co., Ltd.	67,200
KB One West 1st Co., Ltd.	55,932
KB Cloud L.L.C.	100,854
K Gowoon Sekyo 1st Co., Ltd.	4,830
K Gowoon Sekyo 2nd Co., Ltd.	3,839

38.3.3 The Group has provided the guarantees of payment of principal, or principal and fixed rate of return in case the operating results of the trusts are less than the guaranteed principal, or principal and fixed rate of return.

#### 38.4 Changes in Subsidiaries

KB Harim 1st L.L.C. and 27 other subsidiaries were newly included in the scope of consolidation, and KB Display 1st L.L.C. and 17 other subsidiaries were excluded from the scope of consolidation for the year ended December 31, 2021.

#### 38.5 Net Cash Flow from Changes in Subsidiaries

The net cash inflows arising from acquisition of subsidiaries and net cash inflows arising from disposal of subsidiaries are amounting to ₩ 70,731 million and ₩ 9,720 million for the year ended December 31, 2021, respectively.

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**39. Unconsolidated Structured Entities**

39.1 Nature, purpose, and activities of the unconsolidated structured entities and how the structured entities are financed, are as follows:

<b>Nature</b>	<b>Purpose</b>	<b>Activity</b>	<b>Method of financing</b>
Asset-backed securitization	Early cash generation through transfer of securitized assets Fees earned through services to SPC, such as providing lines of credit and ABCP purchase commitments	Fulfillment of asset-backed securitization plan Purchase and collection of securitized assets Issuance and repayment of ABS and ABCP	Issuance of ABS and ABCP based on securitized assets
Structured financing	Granting PF loans to SOC and real estate Granting loans to ships/aircrafts SPC Project financing to M&A and others	Construction of SOC and real estate Building ships, construction and purchase of aircrafts M&A	Loan commitments through credit line, providing credit line, and investment agreements
Investment funds	Investment in beneficiary certificates Investment in PEF and partnerships	Management of fund assets Payment of fund fees and allocation of fund profits	Sales of beneficiary certificate instruments Investment from general partners and limited partners

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39.2 Details of scale of unconsolidated structured entities and nature of the risks associated with the Group's interests in unconsolidated structured entities as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Asset-backed securitization</b>	<b>Structured financing</b>	<b>Investment funds</b>	<b>Total</b>
<b>Total assets of unconsolidated structured entities</b>	99,788,024	52,936,733	135,096,320	287,821,077
<b>Carrying amount in the financial statements</b>				
Assets:				
Financial assets at fair value through profit or loss	167,915	39,047	3,555,696	3,762,658
Loans measured at amortized cost	41,068	5,098,265	-	5,139,333
Financial investments	7,471,873	-	-	7,471,873
Investments in associates	-	-	285,895	285,895
Other assets	-	423	2	425
	<u>7,680,856</u>	<u>5,137,735</u>	<u>3,841,593</u>	<u>16,660,184</u>
Liabilities:				
Deposits	330,592	650,834	86,185	1,067,611
Derivative financial liabilities	437	-	-	437
Other liabilities	2,532	3,030	15	5,577
	<u>333,561</u>	<u>653,864</u>	<u>86,200</u>	<u>1,073,625</u>
<b>Maximum exposure</b>				
Assets held *	7,680,856	5,137,735	3,841,593	16,660,184
Purchase and investment commitments	-	-	3,863,104	3,863,104
Acceptances and guarantees and unused line of credit	5,353,985	1,636,416	-	6,990,401
	<u>13,034,841</u>	<u>6,774,151</u>	<u>7,704,697</u>	<u>27,513,689</u>
Methods of determining the maximum exposure	Providing lines of credit / Purchase commitments/ Acceptances and guarantees and loan commitments	Loan commitments / Investment commitments / Purchase commitments and acceptances and guarantees	Investment commitments	

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(In millions of Korean won)

	December 31, 2020			
	Asset-backed securitization	Structured Financing	Investment funds	Total
<b>Total assets of unconsolidated structured entities</b>	83,411,026	36,339,952	79,115,376	198,866,354
<b>Carrying amount in the financial statements</b>				
Assets:				
Financial assets at fair value through profit or loss	260,131	59,648	2,521,607	2,841,386
Derivative financial assets	1,579	-	-	1,579
Loans measured at amortized cost	105,096	2,727,511	-	2,832,607
Financial investments	7,180,970	-	-	7,180,970
Investments in associates	-	-	326,883	326,883
Other assets	-	545	2	547
	<u>7,547,776</u>	<u>2,787,704</u>	<u>2,848,492</u>	<u>13,183,972</u>
Liabilities:				
Deposits	344,221	612,022	57,277	1,013,520
Derivative financial liabilities	1,307	-	-	1,307
Other liabilities	1,997	7,457	5	9,459
	<u>347,525</u>	<u>619,479</u>	<u>57,282</u>	<u>1,024,286</u>
<b>Maximum exposure</b>				
Assets held *	7,547,776	2,787,704	2,848,492	13,183,972
Purchase and investment commitments	-	-	4,248,322	4,248,322
Acceptances and guarantees and unused line of credit	3,597,517	1,691,150	-	5,288,667
	<u>11,145,293</u>	<u>4,478,854</u>	<u>7,096,814</u>	<u>22,720,961</u>
Methods of determining the maximum exposure	Providing lines of credit / Purchase commitments/ Acceptances and guarantees and loan commitments	Loan commitments / Investment commitments / Purchase commitments and acceptances and guarantees	Investment commitments	

\* Maximum exposure includes the asset amounts, after deducting loss (provisions for credit losses, impairment losses, and others), recognized in the consolidated financial statements of the Group.



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**40. Lease**

40.1 The Group as a Lessee

40.1.1 Amounts recognized in the consolidated statements of financial position related to lease as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Right-of-use property and equipment: *		
Real estate	370,146	391,567
Vehicles	10,970	9,747
Others	10,018	14,835
	<u>391,134</u>	<u>416,149</u>
Right-of-use intangible assets *	3,610	4,617
	<u>394,744</u>	<u>420,766</u>
Lease liabilities *	375,472	380,629

\* Included in property and equipment, intangible assets, and other liabilities.

40.1.2 Amounts recognized in the consolidated statements of comprehensive income related to lease for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Depreciation and amortization of right-of-use assets:		
Real estate	196,687	196,479
Vehicles	11,379	10,157
Others	6,672	8,570
Intangible asset	1,007	5,022
	<u>215,745</u>	<u>220,228</u>
Interest expenses on the lease liabilities	10,328	8,298
Expense relating to short-term lease	3,094	3,077
Expense relating to lease of low-value assets that are not short-term lease	3,060	2,325

Total cash outflows for lease for the years ended December 31, 2021 and 2020 are ₩ 169,108 million and ₩ 170,689 million, respectively.

40.2 The Group as an Operating Lessor

The future minimum lease payments to be received from the non-cancellable lease contracts as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Up to 1 year	20,081	20,057
1-5 years	33,211	43,404
Over 5 years	-	1,060
	<u>53,292</u>	<u>64,521</u>

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**41. Related Party Transactions**

According to Korean IFRS No.1024, the Group includes the Parent, the Parent's subsidiaries, associates, associates of the Parent's subsidiaries, associates of the Parent, key management personnel (including family members), and post-employment benefit plans of the Group and its related party companies in the scope of related parties. The Group discloses balances (receivables and payables) and other amounts arising from transactions with related parties in the notes to the consolidated financial statements. Refer to Note 13 for details of investments in associates.

Key management personnel include the executives of the Parent Company and the executives (managing director and above) of the Bank, and companies where the executives and/or their close family members have control or joint control.

41.1 Details of significant profit or loss arising from transactions with related parties for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		2021	2020
<b>Parent</b>			
KB Financial Group Inc.	Fee and commission income	7,440	7,183
	Other non-operating income	1,638	1,057
	Interest expense	1,708	410
	Other operating expenses	273	190
	General and administrative expenses	926	925
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Interest income	2,897	2,054
	Fee and commission income	27,878	19,298
	Gains on financial instruments at fair value through profit or loss	92,627	43,739
	Other non-operating income	4,371	10,188
	Interest expense	2,020	2,874
	Fee and commission expense	785	666
	Losses on financial instruments at fair value through profit or loss	108,706	42,394
	Provision for credit losses	146	92
	General and administrative expenses	3,242	-
KB Asset Management Co., Ltd.	Fee and commission income	1,959	1,465
	Gains on financial instruments at fair value through profit or loss	178	-
	Other non-operating income	-	1
	Interest expense	43	59
	Fee and commission expense	1,703	1,571
	Losses on financial instruments at fair value through profit or loss	98	373
	General and administrative expenses	500	500
KB Real Estate Trust Co., Ltd.	Fee and commission income	268	232
	Other non-operating income	35	38
	Interest expense	119	207

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	Fee and commission expense	1,806	2,406
KB Investment Co., Ltd.	Fee and commission income	126	48
	Interest expense	344	443
KB Credit Information Co., Ltd.	Fee and commission income	71	69
	Other non-operating income	143	216
	Interest expense	69	104
	Fee and commission expense	20,953	21,898
KB Data System Co., Ltd.	Fee and commission income	432	270
	Other non-operating income	182	149
	Interest expense	152	242
	Other operating expenses	349	-
	General and administrative expenses	60,374	54,869
KB Life Insurance Co., Ltd.	Fee and commission income	17,258	16,534
	Gains on financial instruments at fair value through profit or loss	8,154	4,292
	Other non-operating income	48	2,293
	Interest expense	11	795
	Fee and commission expense	956	1
	Losses on financial instruments at fair value through profit or loss	414	2,975
	Other non-operating expenses	-	2
	General and administrative expenses	888	950
KB Kookmin Card Co., Ltd.	Interest income	4,985	4,441
	Fee and commission income	167,764	190,987
	Gains on financial instruments at fair value through profit or loss	287	1,262
	Reversal of credit losses	6	-
	Other non-operating income	1,682	1,645
	Interest expense	937	1,003
	Fee and commission expense	1,222	1,255
	Losses on financial instruments at fair value through profit or loss	363	143
	Provision for credit losses	327	245
	General and administrative expenses	1,301	391
KB Savings Bank Co., Ltd.	Fee and commission income	984	1,125
	Other non-operating income	82	77
	Interest expense	16	11
	General and administrative expenses	6	-
KB Capital Co., Ltd.	Interest income	1,529	1,951
	Fee and commission income	2,900	2,767
	Reversal of credit losses	245	-
	Other non-operating income	155	191
	Interest expense	74	98
	Fee and commission expense	4	43
	Provision for credit losses	-	138
	General and administrative expenses	139	-

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KB Insurance Co., Ltd.	Interest income	303	67
	Fee and commission income	26,351	24,467
	Gains on financial instruments at fair value through profit or loss	69,366	33,319
	Other non-operating income	1,842	1,287
	Interest expense	1,592	1,676
	Fee and commission expense	2,983	1,628
	Losses on financial instruments at fair value through profit or loss	1,333	37,871
	Other operating expenses	3	1
	Provision for credit losses	10	5
	Other non-operating expenses	11	-
	General and administrative expenses	13,590	10,283
Prudential Life Insurance Company of Korea Ltd.	Interest income	46	-
	Fee and commission income	103	20
	Gains on financial instruments at fair value through profit or loss	6,968	-
	Interest expense	3,736	1,165
	Fee and commission expense	4,374	-
	Losses on financial instruments at fair value through profit or loss	652	-
	General and administrative expenses	604	-
KB Hanbando BTL Private Special Asset Fund No.1	Fee and commission income	119	132
KB Senior Loan Private Fund No.1 *	Fee and commission income	1	3
KB AMP Infra Private Special Asset Fund No.1(FoFs)	Fee and commission income	9	11
KB Muni bond Private Securities Fund No.1 (USD)	Fee and commission income	11	12
KB Global Private Real Estate Debt Fund No.1	Fee and commission income	10	10
KB NA COMPASS Energy Private Special Asset Fund	Fee and commission income	7	8
KB Star Office Private Real Estate Master Fund No.3	Interest expense	3	55
KB Star Office Private Real Estate Feeder Fund No.4	Interest income	760	760
	Fee and commission income	37	36
	Interest expense	5	18
	Provision for credit losses	1	1
KB Global Core Bond Securities Feeder Fund(Bond)	Fee and commission income	45	87
	Gains on financial instruments at fair value through profit or loss	1,020	-
	Losses on financial instruments at fair value through profit or loss	280	-
KB Onkookmin Life Income 20 Feeder Fund (FoFs) C-F	Gains on financial instruments at fair value through profit or loss	266	-
	Losses on financial instruments at fair value through profit or loss	48	102

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KB Onkookmin Life Income 40 Feeder Fund (FoFs) C-F	Gains on financial instruments at fair value through profit or loss	261	-
	Losses on financial instruments at fair value through profit or loss	41	190
KB New Renewable Energy Private Special Asset Fund No.1	Fee and commission income	8	6
KB North America Private Real Estate Debt Fund No.1	Fee and commission income	3	3
	Gains on financial instruments at fair value through profit or loss	2,502	1,814
	Losses on financial instruments at fair value through profit or loss	-	3,248
KB North America Private Real Estate Debt Fund No.3	Fee and commission income	10	10
	Gains on financial instruments at fair value through profit or loss	8,580	2,699
	Losses on financial instruments at fair value through profit or loss	536	8,044
KB Europe Renewable Private Special Asset Fund No.2 (SOC-FoFs)	Fee and commission income	4	2
KB Global Infrastructure Synergy Private Special Asset Fund	Fee and commission income	3	-
KB BMO Senior Loan Private Special Asset Fund No.1(FOF)	Fee and commission income	8	6
	Gains on financial instruments at fair value through profit or loss	5,722	-
	Losses on financial instruments at fair value through profit or loss	759	4,329
KB BMO Senior Loan Private Special Asset Fund No.2(USD)	Fee and commission income	8	5
KB Korea Short Term Premium Private Securities No.15(USD)(Bond) *	Fee and commission income	3	1
	Gains on financial instruments at fair value through profit or loss	-	1,452
	Losses on financial instruments at fair value through profit or loss	1,614	-
KB Korea Short Term Premium Private Securities No.17(USD)(Bond) *	Fee and commission income	10	2
	Gains on financial instruments at fair value through profit or loss	-	3,268
	Losses on financial instruments at fair value through profit or loss	6,153	-
KB Korea Short Term Premium Private Securities No.19(USD)(Bond)	Fee and commission income	4	-
KB Korea Short Term Premium Private Securities No.21(USD)(Bond)	Fee and commission income	5	-
KB New Renewable Green New Deal Private Special Asset No.2	Fee and commission income	2	-
KB Sinansan Line Private Special Asset Fund(SOC)	Fee and commission income	12	-
KB Global Private Real Estate Debt Fund No.11	Fee and commission income	1	-
KB Korea Short Term Premium Private Securities No.22(USD)(Bond)	Fee and commission income	3	-
	Losses on financial instruments at fair value through profit or loss	1,306	-
KB Multi Alpha Plus Private Fund No.1	Fee and commission income	6	-

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KB MCF Senior Loan Private Special Asset Fund No.3(FoFs)	Fee and commission income	8	-
KB Korea Infrastructure Credit Guarantee Private Special Asset No.1	Fee and commission income	5	-
KB Wise Star Private Real Estate No.19	Fee and commission income	3	-
Hanwha Europe Credit Private Fund No.16 (FOF)	Gains on financial instruments at fair value through profit or loss	36	-
	Losses on financial instruments at fair value through profit or loss	175	-
KB AMP Infra Private Special Asset Fund No.13(FoFs)	Fee and commission income	1	-
KB Logistics Blind Private Real Estate Fund No.1	Fee and commission income	2	-
KB Aircraft Private Special Asset Fund No.1	Fee and commission income	4	-
	Losses on financial instruments at fair value through profit or loss	3,849	-
KB Star ESG Prime Mid-Short Bond Securities Feeder Fund(Bond)	Fee and commission income	5	-
KB Global Private Real Estate Debt Fund No.15	Fee and commission income	2	-
KB Korea Short Term Premium Private Securities No.23(USD)(Bond)	Fee and commission income	2	-
	Gains on financial instruments at fair value through profit or loss	96	-
KB AU Infigen Energy Private Special Asset Fund *	Fee and commission income	-	3
KB AU Infigen Energy Private Special Asset Fund No.2 *	Fee and commission income	-	5
KB Korea Short Term Premium Private Securities No.10(USD)(Bond) *	Fee and commission income	-	6
KB Wise Star Private Real Estate Feeder Fund No.12 *	Interest income	-	493
	Fee and commission income	-	1
<b>Associates</b>			
Korea Credit Bureau Co., Ltd.	Fee and commission income	36	4
	Interest expense	6	7
	Fee and commission expense	1,860	1,954
	Other operating expenses	11	1
Incheon Bridge Co., Ltd.	Interest income	4,069	4,345
	Fee and commission income	22	23
	Gains on financial instruments at fair value through profit or loss	-	899
	Reversal of credit losses	444	-
	Interest expense	158	334
	Fee and commission expense	6	6
	Losses on financial instruments at fair value through profit or loss	1,374	-
	Provision for credit losses	-	471
Dae-A Leisure Co., Ltd.	Interest expense	2	7
Skydigital Inc.	Fee and commission income	3	4
KB High-Tech Company Investment Fund	Interest expense	8	16
Aju Good Technology Venture Fund	Interest expense	27	18

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KB-KDBC Pre-IPO New Technology Business Investment Fund	Interest expense	1	23
KB Digital Innovation & Growth New Technology Business Investment Fund	Interest expense	3	4
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Interest expense	17	40
KB Global Platform Fund	Interest expense	39	52
WJ Private Equity Fund No.1	Fee and commission income	7	5
KB12-1 Venture Investment Partnership *	Interest expense	-	13
<b>Associate of Parent</b>			
KB Star Office Private Real Estate Investment Trust No.1	Interest expense	5	61
<b>Associates of Parent's subsidiaries</b>			
SY Auto Capital Co., Ltd.	Interest income	-	3
	Fee and commission income	4	4
	Reversal of credit losses	-	17
	Interest expense	-	2
RAND Bio Science Co., Ltd.	Interest expense	-	11
Food Factory Co., Ltd.	Interest income	70	52
	Reversal of credit losses	6	-
	Interest expense	5	12
	Fee and commission expense	2	4
	Provision for credit losses	-	8
Acts Co., Ltd.	Interest income	-	1
Banksalad Co., Ltd.	Fee and commission income	36	36
Spark Biopharma Inc.	Interest expense	7	-
UPRISE, Inc.	Interest income	5	2
	Reversal of credit losses	1	-
	Interest expense	1	-
	Provision for credit losses	-	1
CellinCells Co., Ltd.	Interest expense	-	4
COSES GT Co., Ltd.	Interest income	18	6
	Reversal of credit losses	3	-
	Interest expense	1	-
	Provision for credit losses	-	4
KB No.17 Special Purpose Acquisition Company	Interest expense	14	25
KB No.18 Special Purpose Acquisition Company	Interest expense	20	31
KB No.19 Special Purpose Acquisition Company	Interest expense	9	13
KB No.20 Special Purpose Acquisition Company	Interest expense	15	25
SwatchOn Inc.	Fee and commission income	8	7
	Interest expense	10	47
Gomi corporation Inc.	Interest income	19	-
	Interest expense	1	-
	Provision for credit losses	13	-
S&E bio Co., Ltd.	Interest expense	1	1
Contents First Inc.	Interest expense	83	14
December & Company Inc.	Interest expense	-	1

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GENINUS Inc.	Interest expense	29	70
Mantisco Co., Ltd.	Interest expense	1	-
SuperNGine Co., Ltd.	Interest expense	1	-
Desilo Inc.	Interest income	1	-
	Provision for credit losses	2	-
Turing Co., Ltd.	Interest expense	1	-
IGGYMOB Co., Ltd.	Interest expense	1	-
KB Pre IPO Secondary Venture Fund No.1	Interest expense	1	3
A-PRO Co., Ltd. *	Interest income	-	7
	Interest expense	-	1
	Provision for credit losses	-	1
BNF Corporation Ltd. *	Interest income	-	9
	Fee and commission income	-	2
	Provision for credit losses	-	8
<b>Others</b>			
Retirement pension	Fee and commission income	1,338	1,077
	Interest expense	9	3

\* Excluded from the Group's related party as of December 31, 2021.



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41.2 Details of significant outstanding balances of receivables and payables arising from transactions with related parties as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		December 31, 2021	December 31, 2020
<b>Parent</b>			
KB Financial Group Inc.	Other assets	71	120
	Deposits	518,076	23,084
	Other liabilities	462,800	597,429
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Cash and due from financial institutions	4,691	2,763
	Derivative assets	43,797	17,465
	Loans measured at amortized cost (gross amount)	124,527	97,803
	Allowances for credit losses	201	88
	Other assets	5,564	4,983
	Derivative liabilities	33,338	11,630
	Deposits	535,130	464,584
	Provisions	90	57
	Other liabilities <sup>2</sup>	29,920	27,906
KB Asset Management Co., Ltd.	Other assets	422	327
	Derivative liabilities	-	373
	Deposits	13,206	6,915
	Other liabilities <sup>3</sup>	1,304	1,310
KB Real Estate Trust Co., Ltd.	Other assets	3	3
	Deposits	103,329	71,261
	Other liabilities <sup>4</sup>	3,438	3,235
KB Investment Co., Ltd.	Deposits	100,338	93,970
	Other liabilities	42	97
KB Credit Information Co., Ltd.	Deposits	4,536	5,340
	Other liabilities	5,656	6,196
KB Data System Co., Ltd.	Other assets	215	390
	Deposits	17,999	17,561
	Other liabilities	6,150	4,539
KB Life Insurance Co., Ltd.	Derivative assets	5,387	90
	Other assets	1,519	1,436
	Derivative liabilities	168	2,682
	Deposits	2,608	2,085
	Other liabilities <sup>5</sup>	21,700	19,797
KB Kookmin Card Co., Ltd.	Derivative assets	55	418
	Loans measured at amortized cost (gross amount)	71,130	39,930
	Allowances for credit losses	86	30
	Other assets	22,043	14,473
	Deposits	81,641	92,490
	Borrowings	3,492	-
	Provisions	724	459
	Other liabilities	47,443	57,810
KB Savings Bank Co., Ltd.	Other liabilities	323	1,088

**Kookmin Bank and Subsidiaries**  
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KB Capital Co., Ltd.	Loans measured at amortized cost (gross amount)	71,130	54,400
	Allowances for credit losses	156	277
	Other assets	365	324
	Deposits	219,312	190,331
	Provisions	45	143
	Other liabilities	3,006	2,521
KB Insurance Co., Ltd.	Derivative assets	37,098	4,832
	Loans measured at amortized cost (gross amount)	17,958	-
	Allowances for credit losses	3	-
	Other assets	15,707	14,354
	Derivative liabilities	3,670	29,491
	Deposits	7,854	3,365
	Borrowings <sup>7</sup>	23,000	-
	Debentures	29,998	29,994
	Provisions	18	11
	Other liabilities <sup>6</sup>	17,757	17,937
Prudential Life Insurance Company of Korea Ltd.	Derivative assets	6,968	-
	Other assets	3,815	-
	Derivative liabilities	652	-
	Deposits	7,634	303
	Debentures	30,000	30,000
	Other liabilities	38,100	32,537
KB Hanbando BTL Private Special Asset Fund No.1	Other assets	29	32
KB Senior Loan Private Fund No.1 <sup>1</sup>	Other assets	-	1
KB AMP Infra Private Special Asset Fund No.1(FoFs)	Other assets	1	1
KB Muni bond Private Securities Fund No.1 (USD)	Other assets	2	2
KB Global Private Real Estate Debt Fund No.1	Other assets	3	3
KB NA COMPASS Energy Private Special Asset Fund	Other assets	1	1
KB Star Office Private Real Estate Master Fund No.3	Deposits	171	171
	Other liabilities	9	6
KB Star Office Private Real Estate Feeder Fund No.4	Loans measured at amortized cost (gross amount)	20,000	20,000
	Allowances for credit losses	3	2
	Other assets	11	9
	Deposits	532	532
	Other liabilities	1	1
KB Global Core Bond Securities Feeder Fund(Bond)	Derivative assets	7	-
	Other assets	4	7
	Derivative liabilities	6	-
KB Onkookmin Life Income 20 Feeder Fund (FoFs) C-F	Derivative liabilities	-	39
KB Onkookmin Life Income 40 Feeder Fund (FoFs) C-F	Derivative liabilities	-	44

**Kookmin Bank and Subsidiaries**  
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KB New Renewable Energy Private Special Asset Fund No.1	Other assets	2	2
KB North America Private Real Estate Debt Fund No.1	Derivative assets	1,378	-
	Other assets	1	1
	Derivative liabilities	-	3,248
KB North America Private Real Estate Debt Fund No.3	Derivative assets	1,221	-
	Other assets	2	2
	Derivative liabilities	-	8,044
KB Europe Renewable Private Special Asset Fund No.2 (SOC-FoFs)	Other assets	1	1
KB Global Infrastructure Synergy Private Special Asset Fund	Other assets	1	-
KB BMO Senior Loan Private Special Asset Fund No.1(FOF)	Derivative assets	3,275	-
	Other assets	2	2
	Derivative liabilities	-	4,327
KB BMO Senior Loan Private Special Asset Fund No.2(USD)	Other assets	2	2
KB Korea Short Term Premium Private Securities No.15(USD)(Bond) <sup>1</sup>	Derivative assets	-	1,452
	Other assets	-	1
KB Korea Short Term Premium Private Securities No.17(USD)(Bond) <sup>1</sup>	Derivative assets	-	3,268
	Other assets	-	2
KB Korea Short Term Premium Private Securities No.19(USD)(Bond)	Other assets	2	-
KB Korea Short Term Premium Private Securities No.21(USD)(Bond)	Other assets	2	-
KB New Renewable Green New Deal Private Special Asset No.2	Other assets	1	-
KB Sinansan Line Private Special Asset Fund(SOC)	Other assets	4	-
KB Korea Short Term Premium Private Securities No.22(USD)(Bond)	Other assets	1	-
	Derivative liabilities	1,306	-
KB Multi Alpha Plus Private Fund No.1	Other assets	2	-
KB MCF Senior Loan Private Special Asset Fund No.3(FoFs)	Other assets	7	-
KB Korea Infrastructure Credit Guarantee Private Special Asset No.1	Other assets	2	-
Hanwha Europe Credit Private Fund No.16 (FOF)	Derivative assets	9	-
	Derivative liabilities	119	-
KB AMP Infra Private Special Asset Fund No.13(FoFs)	Other assets	1	-
KB Logistics Blind Private Real Estate Fund No.1	Other assets	2	-
KB Aircraft Private Special Asset Fund No.1	Other assets	2	-
	Derivative liabilities	3,835	-
KB Star ESG Prime Mid-Short Bond Securities Feeder Fund(Bond)	Other assets	1	-
KB Global Private Real Estate Debt Fund No.15	Other assets	2	-
KB Korea Short Term Premium Private Securities No.23(USD)(Bond)	Derivative assets	96	-
	Other assets	2	-

**Kookmin Bank and Subsidiaries**  
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**Associates**

Korea Credit Bureau Co., Ltd.	Deposits	10,200	19,982
	Other liabilities	-	5
Incheon Bridge Co., Ltd.	Financial assets at fair value through profit or loss	37,382	38,756
	Loans measured at amortized cost (gross amount)	114,100	133,000
	Allowances for credit losses	25	202
	Other assets	423	545
	Deposits	35,487	39,520
	Provisions	18	286
	Other liabilities	99	199
Jungdo Co., Ltd.	Deposits	4	4
Dae-A Leisure Co., Ltd.	Deposits	17	636
	Other liabilities	-	21
Skydigital Inc.	Deposits	85	15
Jo Yang Industrial Co., Ltd.	Deposits	1	2
Neomio Corp. <sup>1</sup>	Deposits	-	535
KB High-Tech Company Investment Fund	Deposits	1,504	12,695
	Other liabilities	-	1
Aju Good Technology Venture Fund	Deposits	6,286	3,093
	Other liabilities	10	1
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	904	923
KB Digital Innovation & Growth New Technology Business Investment Fund	Deposits	2,088	1,801
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Deposits	1,524	8,097
	Other liabilities	-	1
KB Global Platform Fund	Deposits	26,823	20,197
	Other liabilities	5	2
WJ Private Equity Fund No.1	Other assets	2	2
	Deposits	260	349
<b>Associate of Parent</b>			
KB Star Office Private Real Estate Investment Trust No.1	Deposits	2,578	4,255
	Other liabilities	-	24
<b>Associates of Parent's subsidiaries</b>			
SY Auto Capital Co., Ltd.	Deposits	17	6
RAND Bio Science Co., Ltd.	Deposits	443	693
Food Factory Co., Ltd.	Loans measured at amortized cost (gross amount)	3,545	3,193
	Allowances for credit losses	4	8
	Other assets	2	3
	Deposits	839	1,555
	Provisions	-	2
	Other liabilities	6	9
Acts Co., Ltd.	Deposits	154	18
Paycoms Co., Ltd.	Deposits	1	1
Big Dipper Co., Ltd.	Deposits	-	1
Spark Biopharma Inc.	Deposits	6,015	-
	Other liabilities	3	-
Wyatt Corp.	Deposits	1	1

**Kookmin Bank and Subsidiaries**  
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Stratio, Inc.	Deposits	-	13
UPRISE, Inc.	Loans measured at amortized cost (gross amount)	-	500
	Allowances for credit losses	-	1
	Deposits	4,001	11
CellinCells Co., Ltd.	Deposits	38	260
COSES GT Co., Ltd.	Loans measured at amortized cost (gross amount)	500	500
	Allowances for credit losses	2	4
	Other assets	1	1
	Deposits	1,939	292
KB No.17 Special Purpose Acquisition Company	Deposits	1,687	1,711
	Other liabilities	12	23
KB No.18 Special Purpose Acquisition Company	Deposits	2,077	2,101
	Other liabilities	12	19
KB No.19 Special Purpose Acquisition Company	Deposits	1,013	1,053
	Other liabilities	5	3
KB No.20 Special Purpose Acquisition Company	Deposits	1,681	1,716
	Other liabilities	3	1
SwatchOn Inc.	Deposits	686	3,947
	Other liabilities	-	40
Gomi corporation Inc.	Loans measured at amortized cost (gross amount)	2,200	-
	Allowances for credit losses	12	-
	Other assets	4	-
	Deposits	3,188	37
	Other liabilities	1	-
S&E bio Co., Ltd.	Deposits	263	1,142
4N Inc.	Deposits	39	76
Contents First Inc.	Deposits	12,650	1,823
	Other liabilities	57	7
December & Company Inc.	Deposits	1	1
GENINUS Inc.	Deposits	34,415	13,630
	Other liabilities	2	15
Mantisco Co., Ltd.	Deposits	386	-
G1 Playground Co., Ltd.	Deposits	354	-
SuperNGine Co., Ltd.	Deposits	944	-
Desilo Inc.	Loans measured at amortized cost (gross amount)	301	-
	Allowances for credit losses	2	-
	Deposits	168	-
Turing Co., Ltd.	Deposits	1,054	-
IGGYMOB Co., Ltd.	Deposits	2,938	-
KB Pre IPO Secondary Venture Fund No.1	Deposits	103	629
<b>Key management personnel</b>	Loans measured at amortized cost (gross amount)	3,252	4,599
	Allowances for credit losses	2	2
	Other assets	3	4
	Deposits	11,757	11,023
	Provisions	1	-
	Other liabilities	255	284

**Kookmin Bank and Subsidiaries**  
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**Others**

Retirement pension	Other assets	369	295
	Other liabilities	5,014	10,600

<sup>1</sup> Excluded from the Group's related party as of December 31, 2021.

<sup>2</sup> Non-controlling interests classified as liabilities include ₩ 3,089 million and ₩ 2,897 million as of December 31, 2021 and 2020, respectively.

<sup>3</sup> Non-controlling interests classified as liabilities include ₩ 986 million and ₩ 994 million as of December 31, 2021 and 2020, respectively.

<sup>4</sup> Non-controlling interests classified as liabilities include ₩ 3,085 million and ₩ 2,888 million as of December 31, 2021 and 2020, respectively.

<sup>5</sup> Non-controlling interests classified as liabilities include ₩ 20,355 million and ₩ 19,411 million as of December 31, 2021 and 2020, respectively.

<sup>6</sup> Non-controlling interests classified as liabilities include ₩ 4,931 million and ₩ 4,969 million as of December 31, 2021 and 2020, respectively.

<sup>7</sup> This is the carrying amount of liabilities held through a subsidiary, a company specialized in asset-backed securitization, and the related underlying assets after deducting allowance for credit losses is ₩ 22,920 million. The carrying amount of the asset and liability is determined as a reasonable approximation of its fair value.

41.3 Details of right-of-use assets and lease liabilities with related parties as of December 31, 2021 and 2020, are as follows:

*(In millions of Korean won)*

		December 31, 2021	December 31, 2020
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Right-of-use assets	26,565	30,567
	Lease liabilities	31,814	36,118
KB Kookmin Card Co., Ltd.	Right-of-use assets	200	77
	Lease liabilities	53	48
KB Insurance Co., Ltd.	Right-of-use assets	3,797	2,848
	Lease liabilities	3,963	3,152
Prudential Life Insurance Company of Korea Ltd.	Right-of-use assets	9,168	-
	Lease liabilities	9,042	-

**Kookmin Bank and Subsidiaries**  
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41.4 Notional amount of derivative assets and liabilities arising from transactions with related parties as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		December 31, 2021	December 31, 2020
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Notional amount of derivative financial instruments	2,360,006	981,259
KB Asset Management Co., Ltd.	Notional amount of derivative financial instruments	-	22,297
KB Life Insurance Co., Ltd.	Notional amount of derivative financial instruments	163,227	54,892
KB Kookmin Card Co., Ltd.	Notional amount of derivative financial instruments	30,000	30,000
KB Insurance Co., Ltd.	Notional amount of derivative financial instruments	1,356,044	650,108
Prudential Life Insurance Company of Korea Ltd.	Notional amount of derivative financial instruments	407,653	-
KB Global Core Bond Securities Feeder Fund(Bond)	Notional amount of derivative financial instruments	25,796	-
KB Onkookmin Life Income 20 Feeder Fund (FoFs) C-F	Notional amount of derivative financial instruments	-	2,305
KB Onkookmin Life Income 40 Feeder Fund (FoFs) C-F	Notional amount of derivative financial instruments	-	2,617
KB North America Private Real Estate Debt Fund No.1	Notional amount of derivative financial instruments	29,638	27,200
KB North America Private Real Estate Debt Fund No.3	Notional amount of derivative financial instruments	293,411	89,760
KB BMO Senior Loan Private Special Asset Fund No.1(FOF)	Notional amount of derivative financial instruments	60,822	50,798
KB Korea Short Term Premium Private Securities No.15(USD)(Bond) *	Notional amount of derivative financial instruments	-	22,032
KB Korea Short Term Premium Private Securities No.17(USD)(Bond) *	Notional amount of derivative financial instruments	-	77,030
KB Korea Short Term Premium Private Securities No.22(USD)(Bond)	Notional amount of derivative financial instruments	23,941	-
Hanwha Europe Credit Private Fund No.16 (FOF)	Notional amount of derivative financial instruments	15,254	-
KB Aircraft Private Special Asset Fund No.1	Notional amount of derivative financial instruments	136,328	-
KB Korea Short Term Premium Private Securities No.23(USD)(Bond)	Notional amount of derivative financial instruments	82,985	-

\* Excluded from the Group's related party as of December 31, 2021.

**Kookmin Bank and Subsidiaries**  
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41.5 Details of significant lending transactions with related parties for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021 <sup>1</sup>				
	Beginning	Loan	Collection	Others	Ending
<b>Parent's subsidiaries</b>					
KB Securities Co., Ltd.	97,803	829,086	807,840	5,478	124,527
KB Insurance Co., Ltd.	-	18,200	300	58	17,958
KB Kookmin Card Co., Ltd.	39,930	86,033	41,551	(13,282)	71,130
KB Capital Co., Ltd.	54,400	11,441	-	5,289	71,130
KB Star Office Private Real Estate Feeder Fund No.4	20,000	-	-	-	20,000
<b>Associates</b>					
Incheon Bridge Co., Ltd.	171,756	-	18,900	(1,374)	151,482
<b>Associates of Parent's subsidiaries</b>					
Food Factory Co., Ltd.	3,193	388	37	1	3,545
UPRISE, Inc.	500	-	500	-	-
COSES GT Co., Ltd.	500	-	-	-	500
Gomi corporation Inc.	-	2,200	-	-	2,200
Desilo Inc.	-	300	-	1	301
<b>Key management personnel <sup>3</sup></b>	<b>4,599</b>	<b>2,432</b>	<b>1,752</b>	<b>(2,027)</b>	<b>3,252</b>

(In millions of Korean won)

	2020 <sup>1</sup>				
	Beginning	Loan	Collection	Others	Ending
<b>Parent's subsidiaries</b>					
KB Securities Co., Ltd.	65,289	1,164,587	1,129,114	(2,959)	97,803
KB Kookmin Card Co., Ltd.	19,683	181,249	160,164	(838)	39,930
KB Capital Co., Ltd.	64,489	62,423	69,139	(3,373)	54,400
KB Star Office Private Real Estate Feeder Fund No.4	20,000	-	-	-	20,000
KB Wise Star Private Real Estate Feeder Fund No.12 <sup>2</sup>	-	34,000	-	(34,000)	-
<b>Associates</b>					
Incheon Bridge Co., Ltd.	185,557	-	14,700	899	171,756
Carlif Co., Ltd.	-	22	22	-	-
<b>Associates of Parent's subsidiaries</b>					
SY Auto Capital Co., Ltd.	1,900	11,250	13,150	-	-
Food Factory Co., Ltd.	1,987	1,225	20	1	3,193
A-PRO Co., Ltd. <sup>2</sup>	2,016	2,000	-	(4,016)	-
BNF Corporation Ltd. <sup>2</sup>	1,400	1,000	-	(2,400)	-
Acts Co., Ltd.	-	74	74	-	-
UPRISE, Inc.	-	500	-	-	500
COSES GT Co., Ltd.	-	500	-	-	500
<b>Key management personnel <sup>3</sup></b>	<b>3,423</b>	<b>3,276</b>	<b>3,422</b>	<b>1,322</b>	<b>4,599</b>

<sup>1</sup> Transactions between related parties, such as settlements arising from operating activities and daylight overdraft to be repaid on the day of handling, are excluded.

<sup>2</sup> Excluded from the Group's related party as of December 31, 2021.

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



**Kookmin Bank and Subsidiaries**  
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41.6 Details of significant borrowing transactions with related parties for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

			2021			
			Beginning	Borrowing	Repayment	Ending
<b>Parent</b>						
KB Financial Group Inc.	Deposits		23,084	200,000	200,000	518,076
<b>Parent's subsidiaries</b>						
KB Securities Co., Ltd.	Deposits		464,584	75,000	157,117	535,130
KB Asset Management Co., Ltd.	Deposits		6,915	-	-	13,206
KB Real Estate Trust Co., Ltd.	Deposits		71,261	-	-	103,329
KB Investment Co., Ltd.	Deposits		93,970	236,000	234,000	100,338
KB Credit Information Co., Ltd.	Deposits		5,340	2,231	2,025	4,536
KB Data System Co., Ltd.	Deposits		17,561	11,744	12,500	17,999
KB Life Insurance Co., Ltd.	Deposits		2,085	-	-	2,608
KB Kookmin Card Co., Ltd.	Deposits		92,490	27,574	25,500	81,641
	Borrowing		-	3,492	-	3,492
KB Capital Co., Ltd.	Deposits		190,331	-	-	219,312
KB Insurance Co., Ltd.	Deposits		3,365	3,266	-	7,854
	Borrowings		-	23,000	-	23,000
	Debentures		29,994	-	-	29,998
Prudential Life Insurance Company of Korea Ltd.	Deposits		303	-	-	7,634
	Debentures		30,000	-	-	30,000
KB Star Office Private Real Estate Master Fund No.3	Deposits		171	-	-	171
KB Star Office Private Real Estate Feeder Fund No.4	Deposits		532	-	-	532
<b>Associates</b>						
Korea Credit Bureau Co., Ltd.	Deposits		19,982	-	1,000	10,200
Incheon Bridge Co., Ltd.	Deposits		39,520	15,000	20,000	35,487
Jungdo Co., Ltd.	Deposits		4	-	-	4
Dae-A Leisure Co., Ltd.	Deposits		636	-	479	17
Skydigital Inc.	Deposits		15	-	-	85
Jo Yang Industrial Co., Ltd.	Deposits		2	-	-	1
KB High-Tech Company Investment Fund	Deposits		12,695	-	-	1,504
Aju Good Technology Venture Fund	Deposits		3,093	3,840	1,442	6,286
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits		923	-	-	904
KB Digital Innovation & Growth New Technology Business Investment Fund	Deposits		1,801	-	-	2,088
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Deposits		8,097	-	-	1,524
KB Global Platform Fund	Deposits		20,197	-	-	26,823
Neomio Corp. <sup>2</sup>	Deposits		535	-	-	-
WJ Private Equity Fund No.1	Deposits		349	-	-	260

**Kookmin Bank and Subsidiaries**  
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**Associate of Parent**

KB Star Office Private Real Estate Investment Trust No.1	Deposits	4,255	-	1,770	93	2,578
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**Associates of Parent's subsidiaries**

SY Auto Capital Co., Ltd.	Deposits	6	-	-	11	17
KB No.17 Special Purpose Acquisition Company	Deposits	1,711	1,546	1,525	(45)	1,687
KB No.18 Special Purpose Acquisition Company	Deposits	2,101	2,016	2,063	23	2,077
KB No.19 Special Purpose Acquisition Company	Deposits	1,053	1,000	1,000	(40)	1,013
KB No.20 Special Purpose Acquisition Company	Deposits	1,716	1,534	1,522	(47)	1,681
RAND Bio Science Co., Ltd.	Deposits	693	-	400	150	443
Food Factory Co., Ltd.	Deposits	1,555	507	500	(723)	839
Acts Co., Ltd.	Deposits	18	-	-	136	154
Paycoms Co., Ltd.	Deposits	1	-	-	-	1
Big Dipper Co., Ltd.	Deposits	1	-	-	(1)	-
Wyatt Corp.	Deposits	1	-	-	-	1
Stratio, Inc.	Deposits	13	-	-	(13)	-
UPRISE, Inc.	Deposits	11	-	-	3,990	4,001
CellinCells Co., Ltd.	Deposits	260	-	-	(222)	38
COSES GT Co., Ltd.	Deposits	292	-	-	1,647	1,939
SwatchOn Inc.	Deposits	3,947	200	3,501	40	686
Gomi corporation Inc.	Deposits	37	-	-	3,151	3,188
S&E bio Co., Ltd.	Deposits	1,142	-	-	(879)	263
KB Pre IPO Secondary Venture Fund No.1	Deposits	629	-	-	(526)	103
4N Inc.	Deposits	76	-	-	(37)	39
Contents First Inc.	Deposits	1,823	20,000	11,000	1,827	12,650
December & Company Inc.	Deposits	1	-	-	-	1
GENINUS Inc.	Deposits	13,630	-	5,000	25,785	34,415
Mantisco Co., Ltd.	Deposits	-	-	-	386	386
Spark Biopharma Inc.	Deposits	-	1,000	3,000	8,015	6,015
G1 Playground Co., Ltd.	Deposits	-	-	-	354	354
SuperNGine Co., Ltd.	Deposits	-	-	-	944	944
Desilo Inc.	Deposits	-	-	-	168	168
Turing Co., Ltd.	Deposits	-	-	-	1,054	1,054
IGGYMOB Co., Ltd.	Deposits	-	-	-	2,938	2,938
<b>Key management personnel</b> <sup>3</sup>	Deposits	11,023	9,974	9,568	328	11,757

## December 31, 2021 and 2020

(In millions of Korean won)

(In millions of Korean won)		2020				
		Beginning	Borrowing	Repayment	Others <sup>1</sup>	Ending
<b>Parent</b>						
KB Financial Group Inc.	Deposits	18,537	-	-	4,547	23,084
<b>Parent's subsidiaries</b>						
KB Securities Co., Ltd.	Deposits	423,053	75,000	97,720	64,251	464,584
KB Asset Management Co., Ltd.	Deposits	6,929	-	-	(14)	6,915
KB Real Estate Trust Co., Ltd.	Deposits	49,708	-	-	21,553	71,261
KB Investment Co., Ltd.	Deposits	62,686	258,000	230,000	3,284	93,970
KB Credit Information Co., Ltd.	Deposits	4,047	647	410	1,056	5,340
KB Data System Co., Ltd.	Deposits	21,642	11,500	16,500	919	17,561
KB Life Insurance Co., Ltd.	Deposits	571	-	-	1,514	2,085
	Borrowings	25,000	-	-	(25,000)	-
KB Kookmin Card Co., Ltd.	Deposits	74,800	25,500	22,000	14,190	92,490
KB Capital Co., Ltd.	Deposits	126,878	-	-	63,453	190,331
KB Insurance Co., Ltd.	Deposits	5,485	-	-	(2,120)	3,365
	Borrowings	20,000	-	-	(20,000)	-
	Debentures	29,991	-	-	3	29,994
Prudential Life Insurance Company of Korea Ltd.	Deposits	-	-	-	303	303
	Debentures	-	-	-	30,000	30,000
KB Star Office Private Real Estate Master Fund No.3	Deposits	7,364	-	7,193	-	171
KB Star Office Private Real Estate Feeder Fund No.4	Deposits	1,983	-	1,451	-	532
<b>Associates</b>						
Korea Credit Bureau Co., Ltd.	Deposits	17,966	1,000	-	1,016	19,982
Incheon Bridge Co., Ltd.	Deposits	45,447	20,000	21,260	(4,667)	39,520
Jungdo Co., Ltd.	Deposits	4	-	-	-	4
Dae-A Leisure Co., Ltd.	Deposits	753	-	-	(117)	636
Computerlife Co., Ltd.	Deposits	1	-	-	(1)	-
Skydigital Inc.	Deposits	25	-	-	(10)	15
Jo Yang Industrial Co., Ltd.	Deposits	2	-	-	-	2
KB12-1 Venture Investment Partnership <sup>2</sup>	Deposits	440	-	-	(440)	-
KB High-Tech Company Investment Fund	Deposits	11,755	8,000	8,000	940	12,695
Aju Good Technology Venture Fund	Deposits	5,456	1,442	-	(3,805)	3,093
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	7,054	1,500	6,500	(1,131)	923
KB Digital Innovation & Growth New Technology Business Investment Fund	Deposits	12	-	-	1,789	1,801
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Deposits	13,118	-	-	(5,021)	8,097
KB Global Platform Fund	Deposits	17,928	-	-	2,269	20,197
Neomio Corp. <sup>2</sup>	Deposits	-	-	-	535	535
WJ Private Equity Fund No.1	Deposits	-	-	-	349	349

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021 and 2020**

**Associate of Parent**

KB Star Office Private Real Estate Investment Trust No.1	Deposits	8,293	2,117	5,630	(525)	4,255
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**Associates of Parent's subsidiaries**

SY Auto Capital Co., Ltd.	Deposits	8	-	-	(2)	6
KB No.17 Special Purpose Acquisition Company	Deposits	1,742	1,525	1,500	(56)	1,711
KB No.18 Special Purpose Acquisition Company	Deposits	2,140	2,063	2,100	(2)	2,101
KB No.19 Special Purpose Acquisition Company	Deposits	1,093	1,000	1,000	(40)	1,053
KB No.20 Special Purpose Acquisition Company	Deposits	1,984	1,522	1,500	(290)	1,716
RAND Bio Science Co., Ltd.	Deposits	4,452	2,250	3,750	(2,259)	693
Wise Asset Management Co., Ltd.	Deposits	21	-	-	(21)	-
Food Factory Co., Ltd.	Deposits	1,073	1,503	1,003	(18)	1,555
Acts Co., Ltd.	Deposits	1	-	-	17	18
Paycoms Co., Ltd.	Deposits	1	-	-	-	1
Big Dipper Co., Ltd.	Deposits	6	-	-	(5)	1
A-PRO Co., Ltd. <sup>2</sup>	Deposits	3,201	-	-	(3,201)	-
Wyatt Corp.	Deposits	-	-	-	1	1
Stratio, Inc.	Deposits	726	-	-	(713)	13
UPRISE, Inc.	Deposits	-	-	-	11	11
CellinCells Co., Ltd.	Deposits	1,545	-	-	(1,285)	260
COSES GT Co., Ltd.	Deposits	-	-	-	292	292
SwatchOn Inc.	Deposits	395	7,002	3,801	351	3,947
BNF Corporation Ltd. <sup>2</sup>	Deposits	947	-	-	(947)	-
Gomi corporation Inc.	Deposits	-	-	-	37	37
S&E bio Co., Ltd.	Deposits	-	-	-	1,142	1,142
KB IGen Private Equity Fund No.1 <sup>2</sup>	Deposits	147	-	-	(147)	-
KB Pre IPO Secondary Venture Fund No.1	Deposits	2,955	-	-	(2,326)	629
4N Inc.	Deposits	-	-	-	76	76
Contents First Inc.	Deposits	-	4,000	3,000	823	1,823
December & Company Inc.	Deposits	-	-	-	1	1
GENINUS Inc.	Deposits	-	-	-	13,630	13,630
<b>Key management personnel</b> <sup>3</sup>	Deposits	10,104	15,241	15,206	884	11,023

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

<sup>2</sup> Excluded from the Group's related party as of December 31, 2021.

<sup>3</sup> Includes borrowing transactions that occurred before they became related parties.

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021 and 2020**

41.7 Details of significant investment and withdrawal transactions with related parties for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021	
	Equity investment and others	Withdrawal and others
<b>Parent's subsidiaries</b>		
PT KB DATA SYSTEMS INDONESIA	145	-
KB Hanbando BTL Private Special Asset Fund No.1	-	20,448
KB Hope Sharing BTL Private Special Asset Fund	-	1,647
KB Intellectual Property Fund	-	476
KB Senior Loan Private Fund No.1 *	-	5,844
KB Star Office Private Real Estate Master Fund No.3	-	3,569
KB Star Office Private Real Estate Feeder Fund No.4	-	2,474
KB Global Core Bond Securities Feeder Fund(Bond)	-	22,134
KB New Renewable Energy Private Special Asset Fund No.1	-	1,793
KB Mezzanine Private Securities Fund No.3	22,235	42,562
KB Wise Star Jongno Tower Real Estate Master Fund	-	2,093
Koreit BN Private Equity Fund	-	898
KB Europe Renewable Private Special Asset Fund No.2 (SOC-FoFs)	1,896	-
KB BMO Senior Loan Private Special Asset Fund No.2(USD)	6,727	1,657
KB Korea Short Term Premium Private Securities No.15(USD)(Bond) *	-	23,660
KB Korea Short Term Premium Private Securities No.17(USD)(Bond) *	-	71,240
KB Korea Short Term Premium Private Securities No.19(USD)(Bond)	22,088	-
KB Korea Short Term Premium Private Securities No.21(USD)(Bond)	33,213	-
KB Korea Short Term Premium Private Securities No.22(USD)(Bond)	22,556	-
KB Korea Short Term Premium Private Securities No.23(USD)(Bond)	71,112	-
KB Sinansan Line Private Special Asset Fund(SOC)	29,156	2,757
KB New Renewable Green New Deal Private Special Asset No.2	12,349	124
KB Multi Alpha Plus Private Fund No.1	10,000	-
KB MCF Senior Loan Private Special Asset Fund No.3(FoFs)	33,147	-
KB New Deal Infra Private Special Asset Fund	408	-
KB Logistics Blind Private Real Estate Fund No.1	31,111	1
KB Star ESG Prime Mid-Short Bond Securities Feeder Fund(Bond)	49,000	-
KB Global Commerce Private Equity Investment Fund	7,000	-
<b>Associates</b>		
Korea Credit Bureau Co., Ltd.	-	90
Balhae Infrastructure Company	279	9,584
KB GwS Private Securities Investment Trust *	-	147,785
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2 *	-	9,488
Future Planning KB Start-up Creation Fund	-	2,800
KB High-Tech Company Investment Fund	-	11,450
Aju Good Technology Venture Fund	-	4,769
KB-KDBC Pre-IPO New Technology Business Investment Fund	-	2,400
KB-TS Technology Venture Private Equity Fund	1,650	2,880
KB Digital Innovation & Growth New Technology Business Investment Fund	1,125	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	5,000	5,400
KB Global Platform Fund	13,500	-

**Kookmin Bank and Subsidiaries**  
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KB-UTC Inno-Tech Venture Fund	3,390	750
KB Pre-IPO New Technology Business Investment Fund No.2	7,500	-
KB Smart Scale Up Fund	27,000	-
KB Bio Global Expansion Private Equity Fund No.1	10,000	-
KB-KTB Technology Venture Fund	3,000	-
KB Digital Platform Fund	12,600	-
KB-SOLIDUS Healthcare Investment Fund	600	-
KB New Deal Innovation Fund	4,000	-
<b>Associate of Parent</b>		
KB Star Office Private Real Estate Investment Trust No.1	-	1,246
<b>Associate of Parent's subsidiaries</b>		
KB-Stonebridge Secondary Private Equity Fund	7,576	9,039
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	2,564	-

(In millions of Korean won)

	2020	
	Equity investment and others	Withdrawal and others
<b>Parent's subsidiaries</b>		
KB Hanbando BTL Private Special Asset Fund No.1	-	24,039
KB Hope Sharing BTL Private Special Asset Fund	-	1,655
KB Mezzanine Private Security Investment Trust No.2 *	-	46,051
KB Intellectual Property Fund	-	180
KB Senior Loan Private Fund No.1 *	-	1,080
KB KBSTAR Mid-Long Term KTB Active ETF (Bond) *	-	20,402
KB Onkookmin 2030 TDF Fund (FoFs) *	-	86
KB Star Office Private Real Estate Master Fund No.3	-	3,579
KB Star Office Private Real Estate Feeder Fund No.4	-	2,101
KB Korea Short Term Premium Private Securities No.10(USD)(Bond) *	-	69,710
KB New Renewable Energy Private Special Asset Fund No.1	32,640	871
KB Mezzanine Private Securities Fund No.3	18,019	16,587
KB Wise Star Jongno Tower Real Estate Master Fund	-	367
Koreit BN Private Equity Fund	-	1,015
KB Europe Renewable Private Special Asset Fund No.2 (SOC-FoFs)	8,675	-
KB BMO Senior Loan Private Special Asset Fund No.2(USD)	29,015	566
KB Wise Star Private Real Estate Feeder Fund No.12 *	20,000	800
KB Korea Short Term Premium Private Securities No.15(USD)(Bond) *	23,508	-
KB Korea Short Term Premium Private Securities No.17(USD)(Bond) *	68,082	-
KB Sinansan Line Private Special Asset Fund(SOC)	27,857	-
<b>Associates</b>		
Korea Credit Bureau Co., Ltd.	-	90
Balhae Infrastructure Company	894	6,973
KB GwS Private Securities Investment Trust *	-	7,453
KB12-1 Venture Investment Partnership *	-	50,642
KoFC POSCO Hanwha KB Shared Growth Private Equity Fund No.2 *	-	2,584
Future Planning KB Start-up Creation Fund	-	3,200
KB High-Tech Company Investment Fund	-	13,550
Aju Good Technology Venture Fund	-	2,885
KB-KDBC Pre-IPO New Technology Business Investment Fund	-	3,200
KB-TS Technology Venture Private Equity Fund	1,200	2,940

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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KB Digital Innovation & Growth New Technology Business Investment Fund	1,125	-
KB Intellectual Property Fund No.2	6,000	-
KB Digital Innovation Investment Fund Limited Partnership	2,800	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	4,000	1,600
KB SPROTT Renewable Private Equity Fund No.1	3,286	-
KB Global Platform Fund	9,000	-
KB-UTC Inno-Tech Venture Fund	11,310	-
WJ Private Equity Fund No.1	10,000	-
All Together Korea Fund No.2	100,000	90,127
KB Pre-IPO New Technology Business Investment Fund No.2	2,500	-
KB Smart Scale Up Fund	4,000	-
<b>Associate of Parent</b>		
KB Star Office Private Real Estate Investment Trust No.1	-	1,273
<b>Associate of Parent's subsidiaries</b>		
KB-Stonebridge Secondary Private Equity Fund	5,196	-
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	1,900	-

\* Excluded from the Group's related party as of December 31, 2021.

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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41.8 Acceptances and guarantees and unused commitments provided to related parties as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		December 31, 2021	December 31, 2020
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Loan commitments in Korean won	140,000	137,213
KB Investment Co., Ltd.	Loss sharing agreements	1,000	1,000
KB Kookmin Card Co., Ltd.	Loan commitments in Korean won	820,000	820,000
	Loan commitments in foreign currency	-	3,264
	Other commitments in Korean won	1,300,000	1,300,000
KB Capital Co., Ltd.	Other commitments in foreign currency	13,041	11,968
KB Insurance Co., Ltd.	Loan commitments in Korean won	21,000	20,000
KB New Renewable Energy Private Special Asset Fund No.1	Purchase of securities	6,502	6,502
KB Mezzanine Private Securities Fund No.3	Purchase of securities	8,006	30,241
KB Europe Renewable Private Special Asset Fund No.2 (SOC-FoFs)	Purchase of securities	4,343	6,215
KB Global Infra Private Special Asset Fund No.5	Purchase of securities	24,999	24,999
KB Global Infra Private Special Asset Fund No.6	Purchase of securities	24,999	24,999
KB BMO Senior Loan Private Special Asset Fund No.2(USD)	Purchase of securities	27	6,435
KB New Renewable Green New Deal Private Special Asset No.2	Purchase of securities	27,651	-
KB Sinansan Line Private Special Asset Fund(SOC)	Purchase of securities	232,796	280,143
KB MCF Senior Loan Private Special Asset Fund No.3(FoFs)	Purchase of securities	14,287	-
KB New Deal Infra Private Special Asset Fund	Purchase of securities	17,692	-
KB Logistics Blind Private Real Estate Fund No.1	Purchase of securities	68,889	-
<b>Associates</b>			
Balhae Infrastructure Company	Purchase of securities	6,154	6,433
Incheon Bridge Co., Ltd.	Loan commitments in Korean won	20,000	20,000
KB-TS Technology Venture Private Equity Fund	Purchase of securities	330	1,980
KB Digital Innovation & Growth New Technology Business Investment Fund	Purchase of securities	-	1,125
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Purchase of securities	-	5,000
KB SPROTT Renewable Private Equity Fund No.1	Purchase of securities	14,887	14,887
KB Global Platform Fund	Purchase of securities	8,000	21,500
KB-UTC Inno-Tech Venture Fund	Purchase of securities	-	3,390
All Together Korea Fund No.2	Purchase of securities	-	990,000



**Kookmin Bank and Subsidiaries**  
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KB Pre-IPO New Technology Business Investment Fund No.2	Purchase of securities	-	7,500
KB Smart Scale Up Fund	Purchase of securities	19,000	46,000
KB-KTB Technology Venture Fund	Purchase of securities	12,000	-
KB Digital Platform Fund	Purchase of securities	127,400	-
KB-SOLIDUS Healthcare Investment Fund	Purchase of securities	29,400	-
KB New Deal Innovation Fund	Purchase of securities	16,000	-
<b>Associates of Parent's subsidiaries</b>			
Food Factory Co., Ltd.	Loan commitments in Korean won	-	388
KB-Stonebridge Secondary Private Equity Fund	Purchase of securities	3,188	10,764
KB-NAU Special Situation Corporate Restructuring Private Equity Fund	Purchase of securities	5,536	8,100
KB Co-Investment Private Equity Fund No.1	Purchase of securities	20,000	-
<b>Key management personnel</b>	Loan commitments in Korean won	808	731

41.9 Acceptances and guarantees and unused commitments provided by related parties as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Parent's subsidiaries</b>			
KB Investment Co., Ltd.	Loss sharing agreements	7,561	3,404
KB Real Estate Trust Co., Ltd.	Purchase of securities	19	19
KB Securities Co., Ltd.	Purchase of securities	19	19
KB Life Insurance Co., Ltd.	Purchase of securities	104	104
KB Insurance Co., Ltd.	Purchase of securities	9	9
KB Asset Management Co., Ltd.	Purchase of securities	2	2
KB Kookmin Card Co., Ltd.	Loan commitment in Korean won	88,283	89,768

41.10 Details of compensation to key management personnel for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>2021</b>			
	<b>Short-term employee benefits</b>	<b>Post- employment benefits</b>	<b>Share-based payments</b>	<b>Total</b>
Registered directors (executive)	1,898	84	2,670	4,652
Registered directors (non-executive)	395	-	-	395
Non-registered directors	7,042	405	7,131	14,578
	<b>9,335</b>	<b>489</b>	<b>9,801</b>	<b>19,625</b>

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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(In millions of Korean won)

	2020			
	Short-term employee benefits	Post- employment benefits	Share-based payments	Total
Registered directors (executive)	1,804	76	1,532	3,412
Registered directors (non-executive)	432	-	-	432
Non-registered directors	6,286	297	3,719	10,302
	8,522	373	5,251	14,146

41.11 Major types of transactions between the Group and the related parties include deposit taking transactions, loan transactions such as general purpose loans, corporate purchase loans, B2B loans, etc., settlements of funds arising from overseas remittance, providing credit line through the acceptance of letter of credit issued by the Bank, and overdraft accounts arising from net settlement agreement between the Bank and KB Kookmin Card Co., Ltd.

41.12 Details of collateral provided to related parties as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		December 31, 2021		December 31, 2020	
		Carrying amount	Collateralized amount	Carrying amount	Collateralized amount
<b>Parent's subsidiaries</b>					
KB Securities Co., Ltd.	Securities	54,143	54,000	52,616	52,000
KB Life Insurance Co., Ltd.	Securities	25,813	25,000	25,896	25,000
KB Insurance Co., Ltd.	Securities	49,982	50,000	49,982	50,000

\* Collaterals related to lease contracts arising from operating activities between related parties are excluded.

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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41.13 Details of collateral provided by related parties as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	<b>Assets held as collateral <sup>1</sup></b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Time deposits / Beneficiary right certificate	167,000	167,000
	Securities	25,135	26,981
	Real estate <sup>2</sup>	12,000	12,000
KB Life Insurance Co., Ltd.	Securities	10,000	10,000
KB Kookmin Card Co., Ltd.	Time deposits	22,000	22,000
KB Insurance Co., Ltd.	Securities	90,000	60,000
	Real estate	24,570	-
KB Credit Information Co., Ltd.	Time deposits and others	2,054	1,848
Prudential Life Insurance Company of Korea Ltd.	Securities	20,008	-
KB Star Office Private Real Estate Feeder Fund No.4	Real estate	24,000	24,000
<b>Key management personnel</b>	Time deposits and others	745	213
	Real estate	3,818	4,056

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

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

As of December 31, 2021, Incheon Bridge Co., Ltd., a related party, provides fund management account, civil engineering works insurance, and management and operations rights as senior collateral amounting to ₩ 611,000 million to the project financing group consisting of the Bank and 5 other institutions, and as subordinated collateral amounting to ₩ 384,800 million to subordinated debt holders consisting of the Bank and 2 other institutions. Also, it provides certificate of credit guarantee amounting to ₩ 400,000 million as collateral to the project financing group consisting of the Bank and 5 other institutions.

41.14 The amounts of debt securities and others purchased through KB securities Co., Ltd. are ₩ 9,642,170 million and ₩ 14,312,409 million for the years ended December 31, 2021 and 2020, respectively, and the amounts of debt securities and others sold through KB securities Co., Ltd. are ₩ 9,005,607 million and ₩ 14,569,878 million for the years ended December 31, 2021 and 2020, respectively. In addition, KB Securities Co., Ltd. acquired ₩ 185,000 million and ₩ 400,000 million of debentures issued by the Bank through underwriting for the years ended December 31, 2021 and 2020, respectively.

41.15 The amounts of intangible assets and others purchased from KB Data System Co., Ltd. are ₩ 24,420 million and ₩ 21,547 million for the years ended December 31, 2021 and 2020, respectively.

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

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

**Kookmin Bank and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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**42. Approval of Issuance of the Consolidated Financial Statements**

The issuance of the Group's consolidated financial statements as of and for the year ended December 31, 2021, was approved by the board of directors on March 10, 2022.

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