# IMPORTANT NOTICE

**THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.**

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 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.

THIS DOCUMENT AND THE SECURITIES REFERENCED HEREIN MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES A PUBLIC OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE SECURITIES REFERENCED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. ACCORDINGLY, THE SECURITIES 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 UNDER THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND THE REGULATIONS THEREUNDER) OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENTS OF KOREA, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, DURING THE FIRST YEAR AFTER THE ISSUANCE OF THE SECURITIES, THE SECURITIES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A "QUALIFIED INSTITUTIONAL INVESTOR" (A "KOREAN QIB," AS DEFINED IN THE REGULATION ON SECURITIES ISSUANCE, PUBLIC DISCLOSURE, ETC. OF KOREA) WHO IS REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE SECURITIES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE SECURITIES.

**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 be outside the U.S. By accepting the e-mail and accessing the following offering circular, you shall be deemed to have represented to us that (1) 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 that 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 authorised 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 KB Kookmin Card Co., Ltd. (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 Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited and KB Securities Hong Kong Ltd. (collectively, the "Managers"), or any person who controls any of them or any director, officer, employee or 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.

# KB KOOKMIN CARD CO., LTD.

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

## U.S.$300,000,000 1.500 per cent. Senior Unsecured Sustainability Notes due 2026
## ISSUE PRICE: 99.904

The U.S.$300,000,000 1.500 per cent. Senior Unsecured Sustainability Notes due 2026 (the "Notes") will be issued by KB Kookmin Card Co., Ltd. (the "Issuer"). The Notes constitute direct, general an dunconditional obligations of the Issuer which will be unsecured and will rank *pari passu* with all oth erpresent and future unsecured and unsubordinated obligations of the Issuer (save for such as may bepreferred by mandatory provision of applicable law).

The Notes will bear interest from and including 13 May 2021 (the "Issue Date") at a rate of 1.500 per cent. Interest will be payable semi-annually in arrear on 13 May and 13 November of each year (each an "Interest Payment Date," with the first Interest Payment Date falling on 13 November 2021 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 13 May 2026 (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 and Purchase*."

**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 or the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and are being offered and sold outside the United States in reliance on Regulation S ("Regulation S") under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*."

The Notes are expected to be rated "A2" by Moody's Investors Service, Inc. ("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 organisation. Such rating should be evaluated independently of any other rating of the Notes, the Issuer's other securities or the Issuer.

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 13 May 2021 with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream, Luxembourg"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Certificate.

**Joint Bookrunners and Lead Managers**

*(in alphabetical order)*

**CITIGROUP** **HSBC** **KB SECURITIES HONG KONG**

The date of this Offering Circular is 6 May 2021

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You should rely only on the information contained in this Offering Circular. None of the Issuer or the Managers (as defined in "*Subscription and Sale*") has authorised 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 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 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 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 terms of the Notes, including the merits and risks involved. The Issuer is not 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 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 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 in connection with the issue or distribution of the Notes or the future performance of the Notes. 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 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 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 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 unauthorised 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, 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 securities 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.

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

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

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

**In connection with this offering, any of the Managers appointed and acting in its capacity as stabilisation manager (the "Stabilisation Manager") (or person(s) acting on its behalf) may, subject to all applicable laws, rules and regulations, over-allot Notes or effect transactions that stabilise 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 Stabilisation Manager (or person(s) acting on its behalf) will undertake stabilisation action. Such stabilising, 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*."**

# ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer is a corporation with limited liability organised 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 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

A copy of the Fiscal Agency Agreement related to the Notes (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. See "*Terms and Conditions of the Notes*."

# PRESENTATION OF FINANCIAL INFORMATION

The Issuer maintains its financial books and records and prepares its financial statements in Won in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRS"). Unless otherwise stated, the financial data of the Issuer contained in this Offering Circular as of and for the years ended 31 December 2019 and 2020 are derived from the Issuer's audited consolidated financial statements included in this Offering Circular, which have been prepared in accordance with K-IFRS.

# CERTAIN DEFINED TERMS AND CONVENTIONS

All references to the "Issuer" or the "Company" in this Offering Circular are references to KB Kookmin Card Co., Ltd., or KB Kookmin Card Co., Ltd. and its consolidated subsidiaries collectively, as required or as indicated by the context. All references to the "Group" are references to the Issuer and its consolidated subsidiaries collectively. All references to "Holders" are references to the holders of the Notes from time to time.

Unless otherwise specified or the context otherwise requires, all references to "KBC" are references to KB Kookmin Card Co., Ltd., all references to "KBB" are references to KB Kookmin Bank and all references to the "KB Financial Group" are references to KB Financial Group, Inc. and its subsidiaries.

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", "U.S.$" or "US$" are to the lawful currency of the United States and all references to "Euro" are to the lawful currency of the European Union. 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"). Unless otherwise stated, the translations of Won into U.S. dollars have been made at the Market Average Exchange Rate in effect on 31 December 2020, which was Won 1,088.0 to U.S.$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 current expectations, assumptions, estimates and projections about the industries that the Issuer is 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 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 believes 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 "Risk Factors." In light of these and other uncertainties, you should not conclude that the Issuer will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. The Issuer will not 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" (the "Conditions"). Terms used and not otherwise defined in this summary have the meaning given to them in the Conditions.*

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| **Issuer** | KB Kookmin Card Co., Ltd., a corporation with limited liability established under the laws of Korea. |
| **Notes** | U.S.$300,000,000 1.500 per cent. Senior Unsecured Sustainability Notes due 2026 (the "Notes"). |
| **Issue Prices** | 99.904 per cent. of the principal amount of the Notes. |
| **Issue Date** | 13 May 2021. |
| **Interest Commencement Date** | 13 May 2021. |
| **Interest Payment Date** | 13 May and 13 November of each year, commencing on 13 November 2021. For a further description of payments of interest on the Notes, see "*Terms and Conditions of the Notes – Payments*." |
| **Rates of Interest** | 1.500 per cent. per annum, from and including the Issue Date, to but excluding, the Maturity Date, payable semi-annually in arrear. |
| **Day Count Fraction** | 30/360. |
| **Maturity Dates** | 13 May 2026 (the "Maturity Date"). |
| **Form and Denomination** | The Notes will be issued in registered form in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.<br><br>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, Luxembourg. |
| **Redemption at Maturity Dates** | Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their outstanding principal amount on the Maturity Date. |
| **Redemption for Tax Reasons** | 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 of the "*Terms and Conditions of the Notes*". |
| **Taxation** | 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 |

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| | 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. |
| **Negative Pledge** | The Notes will contain a negative pledge provision given by the Issuer as described in Condition 4 of the "*Terms and Conditions of the Notes*". |
| **Sale and Leaseback** | The Notes will limit the Issuer's ability to enter into sale and leaseback transactions as described in Condition 4 of the "*Terms and Conditions of the Notes*". |
| **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). |
| **Governing Law** | The Notes are governed by, and will be construed in accordance with, the laws of England. |
| **Rating** | The Notes are expected to be rated "A2" 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 organisation. |
| **Fiscal Agent** | Citicorp International Limited. |
| **Registrar and Transfer Agent** | 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 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 S$200,000 (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 and/or refinance, in whole or part, new and/or existing Green and Social eligible projects in accordance with the KB Kookmin Card Green, Social And Sustainability Financing Framework (the "GSS Financing Framework") attached as Appendix A. See "*Use of Proceeds*." |
| **Selling Restrictions** | The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States 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*." |

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| **Clearance and Settlement** . . . . . . . . . . | The Notes have been accepted for clearance by Euroclear and Clearstream, Luxembourg under the following codes:<br><br>ISIN: XS2332357099<br><br>Common Code: 233235709 |
| **LEI** . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 988400VU1GFPPZ59F863 |

# RISK FACTORS

*Prior to making an investment decision, prospective purchasers of the Notes should carefully consider, along with the other matters set out in this Offering Circular, the following factors:*

## Risks relating to the Issuer

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

If severe health epidemics were to occur in any area where any of the Issuer's assets, suppliers or customers are located, the Issuer's business, results of operations or financial condition could be adversely affected. In particular, COVID-19, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 that is known to have been first transmitted to humans in November 2019 and has spread globally, has materially and adversely affected the global economy and financial markets in recent months. In March 2020, the World Health Organisation declared COVID-19 as a pandemic. The Issuer has minimised the disruptions to its business operations by socially distancing within the office and adopting remote working policies.

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

- an increase in unemployment among, and/or decrease in disposable income of the Issuer's clients and a decline in overall consumer confidence and spending levels, which in turn may decrease demand for the Issuer's services;
- disruption in the normal operations of the businesses of the Issuer's customers, which in turn may decrease demand for the Issuer's services;
- disruption in the normal operations of the Issuer's business resulting from contraction of COVID-19 by the Issuer's employees, which may necessitate its employees to be quarantined and/or its manufacturing facilities or offices to be temporarily shut down;
- disruption resulting from the necessity for social distancing, including implementation of temporary adjustment of work arrangements requiring employees to work remotely and restriction on overseas and domestic business travel, which may lead to a reduction in labour productivity; and
- unstable global and Korean financial markets, which may adversely affect the Issuer's ability to meet its funding needs on a timely and cost-effective basis.

It is not possible to predict the duration or full magnitude of harm from COVID-19. In the event that COVID-19 or other types of widespread infectious diseases cannot be effectively and timely contained, the Issuer's business, financial condition and results of operations may be materially adversely affected.

### Difficult conditions in the Korean and global economy could adversely affect the Issuer's profitability, liquidity and asset quality.

Most of the Issuer's assets are located in, and the Issuer generates most of its income from, Korea. As a result, the Issuer's business and profitability are subject to political, economic, legal and regulatory risks specific to Korea, many of which are beyond the Issuer's control, including the deterioration of key macro- and micro-economic indicators such as exports, personal expenditure and consumption, unemployment rates, demand for business products and services, debt service burden of households and businesses, the general availability of credit and the asset value of real estate and securities. Certain sections of the Korean economy continue to show signs of sluggishness in part due to weak consumer confidence, consumer spending and corporate investment, and its outlook for 2021 and beyond remains uncertain. Market turmoil and economic downturn, particularly in Korea, could materially adversely affect the liquidity, and businesses and/or financial conditions of the Issuer's customers, which in turn result in an increase in non-performing receivables and a decline in the credit quality of the Issuer's credit card assets, loans and instalment financing assets. Such developments could also hurt the value of assets (such as cash advance and instalment purchases) collateralising the Issuer's secured receivables and loans, increase the delinquency among the Issuer's customers and otherwise impair the quality of the Issuer's receivables, loans and other financial assets.

The Korean economy is closely integrated with, and is significantly affected by, developments in the global economy and financial markets. In light of the ongoing general economic weakness and the trade disputes between the United States and China and between Korea and Japan, signs of cooling economy for China and the continuing political instability in the Middle East, among others, significant uncertainty remains as to the global economic prospects in general and such factors have adversely affected, and may continue to adversely affect, the Korean economy and in turn on the Issuer's business and profitability, as a result of, for instance, a decrease in consumer spending and credit card usage, as well as a decrease in commission fees for the Issuer's affiliates due to dampened consumer confidence. In addition, the value of the Won relative to the U.S. Dollar has also fluctuated significantly in recent years, and there is no guarantee that similar currency fluctuation will not occur again in the future. See "*Exchange Rates*". Any future deterioration of the global economy could adversely affect the Issuer's business, financial condition and results of operations. Specifically, if credit market conditions deteriorate, the availability of credit may become limited, costs of funding may increase, credit ratings may be downgraded and/or the credit of borrowers may worsen, any or all of which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Furthermore, if the conditions in credit or financial markets in Korea or globally worsen in the future due to changes in government policy, structural weaknesses or for other reasons, the Issuer's ability to borrow may be adversely affected and the Issuer may be forced to fund its operations at a higher cost or the Issuer may be unable to raise as much funding as it needs to support its lending to customers and other activities, which could reduce the Issuer's profitability.

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

In recent years, credit card and other consumer debt has increased significantly in Korea. As of 31 December 2019 and 2020, the Issuer's credit card assets amounted to ₩18,688.1 billion (U.S.$17,176.6 million) and ₩18,769.5 billion (U.S.$ 17,251.4 million), respectively. The Issuer's large exposure to consumer debt means that it is exposed to changes in economic conditions affecting Korean consumers. Accordingly, a rise in unemployment, an increase in interest rates, a downturn in the real estate market, or a general contraction or other difficulties in the Korean economy that have an adverse effect on Korean consumers could result in reduced growth and deterioration in the credit quality of the Issuer's asset portfolio. For example, the severe impact of the ongoing global outbreak of the COVID-19 pandemic, caused by a new strain of coronavirus, on the Korean economy has disrupted the business, activities and operations of consumers, which in turn could result in a significant decrease in the number of financial transactions or the inability of the Issuer's customers to meet existing payment or other obligations to the Issuer. See "*—Risks relating to the Issuer—The ongoing global pandemic of COVID-19 and any possible recurrence of other types of widespread infectious diseases could materially adversely affect the Issuer's business, results of operations or financial condition.*" Any such adverse changes in the market conditions, as well as other factors, may lead to the Issuer's asset portfolio deteriorating, which may have a material adverse effect on its financial condition and results of operations, including its ability to pay interest on and repay the principal of the Notes.

In line with industry practice, the Issuer has restructured certain of its delinquent loan balances. As of 31 December 2020, these restructured loans outstanding amounted to ₩119 billion (U.S.$ 109 million).

There is no assurance that the Issuer will be able to prevent significant credit quality deterioration in its asset portfolio.

**Competition in the Korean credit card industry is intense and the growing market saturation in the credit card industry may adversely affect the growth prospects and profitability of the Issuer.**

In the credit card sector, the Issuer competes principally with existing "monoline" credit card companies, credit card divisions of commercial banks, consumer finance companies, other financial institutions and, recently, credit card service providers allied with mobile telecommunications service providers in Korea. Competition has been historically intense in this sector and the market has shown signs of saturation as existing and new credit card service providers have made significant investments and engaged in aggressive marketing campaigns and promotions to acquire new customers and target customers with high credit quality. While competition has subsided somewhat recently due to stricter government regulations, such as curbs on excessive marketing expenses, competition remains intense and credit card issuers may continue to compete with the Issuer for customers by offering lower interest rates and fees, higher credit limits, more attractive promotions and incentives and alternative products, such as gift cards and low-interest consumer loan products. As a result, the Issuer may lose customers or service opportunities to competing credit card issuers and/or incur higher marketing expenses. In addition, recent Government regulations mandating lower merchant fees chargeable to small and medium-sized businesses are likely to reduce the revenues of credit card companies, including the Issuer. See "*Investment Considerations—The Issuer's fee income may be adversely affected by the Guidelines on Adjustment of Credit Card Merchants Commission Rates*", and "*Regulation and Supervision*". Customer attrition, together with any further lowering of fees or reduction in base and market interest rates and/or more extensive marketing and promotional campaigns that the Issuer might implement to acquire and retain customers, could reduce its revenues and earnings. Furthermore, the average credit quality of the Issuer's customers may decline if customers with higher credit quality borrow from the Issuer's competitors rather than from the Issuer.

As the market further saturates as a result of this common focus and as the volume of transactions as well as the number of cardholders reaches maturity, it is expected that the market growth will significantly decrease. As a result, it may become increasingly difficult for the Issuer to attract new customers who meet the credit criteria set by the Issuer. Due to these market factors, the Issuer may have to focus further on obtaining and retaining high credit quality customers. The growth and profitability of the Issuer's credit card operations may decline as a result of intense competition and growing market saturation in this sector.

The ability of the Issuer to preserve or continue to grow its assets in the future will depend on, among other things, its success in developing and marketing new products and services, its capacity to generate funding at commercially reasonable rates and in amounts sufficient to support preservation of assets and further asset growth, its ability to develop the personnel and systems infrastructure necessary to manage its growth and increasingly diversified business operations and its ability to manage increasing delinquencies. In addition, external factors such as competition and Government regulation in Korea may limit the Issuer's ability to maintain its growth. Also, economic and social developments in Korea, such as changes in consumer confidence levels or spending patterns or in the public perception of credit card usage and consumer debt, could have an adverse impact on the growth rate of the Issuer's asset portfolio in the future. Furthermore, if the Issuer fails to simultaneously manage its asset quality and its asset growth or sacrifices asset quality in exchange for asset growth, its delinquency ratio may be adversely affected. If the rate of growth of the Issuer's assets declines or becomes negative or its delinquency ratio increases, its results of operations and financial condition may be adversely affected.

**The Issuer may not be able to increase consumer and business spending and borrowing on its card products or manage the costs of its cardholder benefits intended to stimulate such use.**

Increasing consumer and business spending and borrowing on its card products and growth in card lending balances depend in part on the Issuer's ability to develop and issue new or enhanced card and prepaid products and increase revenue from such products and services. It also depends on the Issuer's ability to attract new cardholders, reduce cardholder attrition, increase merchant coverage and capture a greater share of customers' total spending on its cards both in Korea and internationally. The Issuer may not be able to manage and expand cardholder benefits in a cost-effective manner, including containing the growth of marketing, promotion and reward expenses. If the Issuer is not successful in increasing consumer and business spending or in managing costs or cardholder benefits, its revenue and profitability could be negatively affected.

**The legal and regulatory environment in which the Issuer operates could have a material adverse effect on the Issuer's business and earnings.**

The Issuer's operations are heavily regulated and subject to various laws and regulations imposing various requirements and restrictions relating to supervision and regulation. Such regulation and supervision is primarily for the benefit and protection of the Issuer's customers, not for the benefit of investors in the Issuer's securities, and could limit the Issuer's discretion in operating its business.

Non-compliance with applicable statutes or regulations could result in the suspension or revocation of any licence or registration at issue, as well as the imposition of civil fines and criminal penalties. In addition, changes in the accounting rules or their interpretation could have an adverse effect on the Issuer's business and earnings. Such changes may be more restrictive or result in higher costs than current requirements or otherwise materially affect the Issuer's business, results of operations or financial conditions.

Historically, the Government has heightened its regulatory oversight of, or increased its enforcement activities with respect to, the credit card industry in times of rapid growth of the Korean credit card market. In the past ten years, the Government, for example, has imposed (through various arms including the Financial Services Commission (the "FSC"), the Korean Fair Trade Commission, the Ministry of Economy and Finance (the "MOEF") and the National Tax Service) sanctions on credit card issuers in respect of unlawful or unfair practices discovered in the course of its industry-wide inspection, imposed administrative fines on certain credit card companies for collusive and anticompetitive practices, adopted a variety of amendments to existing laws and regulations governing the credit card industry, and conducted special inspections of credit card issuers in connection with the practice of replacing delinquent credit card balances with substituted cash advances and reduced certain tax deduction benefits for credit card holders, among others.

The Issuer is also subject to a number of regulations designed to maintain the safety and soundness of credit card companies, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations may limit the Issuer's activities and changes in these regulations may increase the Issuer's costs of doing business.

The Issuer's inability to comply with regulatory requirements could have a material adverse effect on the Issuer's operations and on its reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently, that new laws and regulations will not be adopted or that the Issuer will not be prohibited by laws from raising interest rates above certain desired levels, any of which could materially adversely affect the Issuer's business, financial condition or results of operations.

**Regulatory changes that would impose more rigorous provisioning rules may adversely affect the Issuer's results of operations.**

The Financial Supervisory Services (the "FSS") has introduced regulatory changes to its provisioning rules regarding allowance for bad debts several times in the past decade to prevent intensifying competition among credit card companies and to ensure financial soundness of credit card companies. In June 2011, while raising the overall provisioning rates, the FSS amended the previous provisioning requirements that had been equally applicable to all claims generated by the credit card holders' use of their credit cards by classifying these bonds into two categories, (1) claims generated by the purchase of goods or the provision of services by credit cards (the "Credit Sales Assets") and (2) claims generated by the financing of cash services, credit card loans, etc. (the "Credit Card Loan Assets"), and applied a higher rate to the Credit Card Loan Assets, which bear a higher delinquency ratio.

Credit card companies' provisioning rates for household credit loans have also continued to rise. In May 2012, the FSS increased the provisioning rates for credit card companies' household loan assets to 10%, which is about the same level as banks' provisioning rates for household credit loans. Furthermore, in June 2019, credit card service providers' provisioning rates for household credit loans was raised to the same level as those of the Credit Card Loan Assets.

Under the provisioning rules revised in August 2020, the provisioning rates for the Credit Sales Assets classified as normal, precautionary, substandard, doubtful in accordance with the standards for the classification of asset soundness are 1.1 per cent., 40.0 per cent., 60.0 per cent., and 75.0 per cent., respectively. In addition, the provisioning rates for the Credit Card Loan Assets and household credit loans of credit card service holders pursuant to the revised rules classified as normal, precautionary, substandard, and doubtful are 2.5 per cent., 50.0 per cent., 65.0 per cent. and 75.0 per cent., respectively. There can be no assurance that continuing regulatory changes in the credit card industry in Korea will not require the Issuer to modify its business operations and may not adversely affect the Issuer's reported results of operations.

**Korean consumer protection laws may adversely affect the Issuer's business or its results of operations.**

Korean consumer protection laws regulate the creation, enforcement and collection of consumer loans, including consumer credit accounts and receivables. The most significant of such laws include the Specialised Credit Financial Business Act, the Instalment Transaction Act and the Door-to-Door Sales Act. These laws:

(a) impose on credit card companies disclosure requirements in respect of certain rates including interest rates, discount rates and default charge rates, payment methods and matters related to the use of stolen or lost cards;

(b) limit customer and merchant liability for unauthorised use;

(c) prohibit a transfer of sales slips to any party other than credit card companies and banks;

(d) prohibit sales slips from being produced by any party other than credit card merchants;

(e) entitle customers to request interest rate reduction; and

(f) permit customers to revoke a sale and purchase agreement entered into by way of door-to-door or telemarketing sales in certain circumstances.

Under the newly enacted Financial Consumer Protection Act which took effect beginning March 25, 2021, credit card companies, 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.

These and other measures that may be implemented by the Government to strengthen consumer protection laws applicable to financial institutions may limit the Issuer's operational flexibility and cause the Issuer to incur significant additional compliance costs. Changes or additions to consumer protection laws may impede the Issuer's collection efforts on its credit card receivables or may reduce the finance charges and other fees that the Issuer may charge to customers, in either case resulting in reduced collections on such receivables.

**The Issuer's fee income may be adversely affected by the Guidelines on Adjustment of Credit Card Merchants Commission Rates.**

In March 2012, the National Assembly of Korea amended the Specialised Credit Financial Business Act to address strong demands to adjust the commission rates from a substantial number of merchants accepting credit cards (the "Credit Card Merchants") in Korea. According to the amended Specialised Credit Financial Business Act and the regulations thereunder, only costs and expenses determined to be reasonable to be borne by the Credit Card Merchants through the cost analysis of credit card companies (the "Eligible Costs") should be reflected in the commission rates, and the FSC will re-evaluate the method of calculating the Eligible Costs every three years. Furthermore, the preferential commission rates below the Eligible Costs should be applied to small and medium sized Credit Card Merchants that fall short of a certain standard based on annual sales. Since 2012, the scope of small and medium-sized Credit Card Merchants has been steadily expanded through a number of regulatory changes, and the applicable commission rates have also been adjusted to a lower level. Currently, the Credit Card Merchants with annual sales of ₩3 billion or less are classified as small- and medium-sized Credit Card Merchants. These merchants are subject to preferential commission rates between 0.8 per cent. and 1.6 per cent. depending on the size of the annual sales. In addition, the same preferential commission rates that are applicable to small and medium-sized Credit Card Merchants should also be applied to certain online and private taxi businesses.

For the years ended 31 December 2019 and 2020, fee income derived from Credit Card Merchants amounted to ₩1,388 billion (U.S.$1,276 million) and ₩1,488 billion (U.S.$1,367 million). Measures taken by the FSS and its continual pressure to reduce merchant commission rates may result in a significant decrease in the Issuer's fee income and if the Issuer fails to find any alternative measures that could offset such decrease in its fee income resulting from the implementation of the Guidelines, the Issuer's financial conditions and its reported results of operations will be adversely affected.

### The Issuer is subject to various management guidance ratios, including capital adequacy, liquidity, etc.

The Specialised Credit Financial Business Act and the regulations thereunder set forth certain standards to be followed in relation to the capital adequacy, soundness of asset and liquidity of credit card companies. A credit card company must maintain a "capital adequacy ratio," defined as the ratio of adjusted equity capital to adjusted total asset, of 8.0 per cent. or more, and a "Won liquidity ratio," defined as the ratio of Won-denominated liquid assets to Won-denominated liabilities, of 100.0 per cent. or more.

In addition, once a credit card company is registered as a foreign exchange business institution with the Minister of the MOEF, such credit card company is required to maintain (1) a foreign-currency liquidity ratio within three months (defined as foreign-currency liquid assets due within three months divided by foreign-currency liabilities due within three months) of not less than 80.0 per cent., (2) a ratio of foreign-currency liquid assets due within seven days (defined as foreign-currency liquid assets due within seven days less foreign-currency liabilities due within seven days, divided by total foreign-currency assets) of not less than 0 per cent. and (3) a ratio of foreign-currency liquid assets due within a month (defined as foreign-currency liabilities due within a month less foreign-currency liquid assets due within a month, divided by total foreign-currency assets) of not more than 10.0 per cent.

The aforementioned ratios may vary depending on changes in government policy on credit card companies, which may require more effort for the Issuer to comply with such ratios.

### Regulations on Issuance of New Cards and Solicitation of New Card Holders may limit business expansion of the Issuer.

The Specialised Credit Financial Business Act and the regulations thereunder establish the conditions under which a credit card company may issue new cards and solicit new members. Specifically, new credit cards may be issued only to the following persons: (i) persons who are at the age of 19 years or more at the time of applying for issuance of a credit card (such age requirement may be lowered for the applicant with a job or other reasons); (ii) persons whose capability to pay bills as they come due is verified through personal credit ratings or objective data; (iii) persons whose credit card limit do not exceed the personal credit limit as determined in accordance with the standards established by the credit card company; and (iv) persons whose identity has been verified.

In addition, a credit card company or a registered bank engaging in the credit card business, as the case may be, may not engage in the following methods of soliciting credit card members: (i) solicitation through pyramid sales methods; (ii) solicitation via the Internet without verifying identity through certified digital signatures; (iii) providing economic benefits or conditioning such benefits in excess of 10.0 per cent. (100.0 per cent. in case a person becomes a member of a credit card on his/her own account using computer communications) of the annual credit card fee (in the case of no-annual fee credit cards, the average annual fees of major credit cards) in connection with issuance of credit cards; (iii) street solicitation of card members on roads and private roads as prescribed under the Road Act and the Private Road Act; and (iv) solicitation through visits, except those visits made upon prior consent and visits to a business area.

Historically, changes in the law have resulted in the application of more stringent standards in the issuance of credit cards and solicitation of credit card applicants, such as requiring a credit card company to check whether the credit card applicant has any delinquent debt owing to any other credit card company or other financial institutions which the applicant is unable to repay. Moreover, a credit card company must register any person who intends to engage in solicitation of credit card applicants with the FSC, unless the solicitation is made by officers or employees of a credit card company or a company in business alliance with such credit card company.

### Reductions in the Issuer's ratings may adversely affect the Issuer's ability to raise capital in the debt markets at attractive rates.

Credit ratings are a component of the Issuer's funding and liquidity profile. Credit ratings are an indicator of the credit worthiness of a particular company, security or obligation. Any reduction in the Issuer's credit ratings could adversely affect its liquidity and competitive position, increase the Issuer's borrowing costs and limit its access to the capital markets and funding sources on commercially acceptable terms. Such events could adversely affect the Issuer's financial condition and results of operations.

**The Issuer's failure to manage risks associated with its information and technology systems could adversely affect its business.**

The Issuer is subject to risks relating to its information and technology systems and processes. These risks, which may arise internally and externally, include malfunctions and failures, human error or misconduct and other external factors. Although the Issuer actively seeks to identify and remedy flaws in its information and technology systems, it may not be able to prevent all types of defects in or malfunctioning of its systems and any such occurrences in the future could potentially result in financial losses or other damages to the Issuer, including damage to its reputation.

The Issuer relies on internal and external information and technology systems to generate new business, provide services to customers, administer customer data and manage the Issuer's operations. The Issuer administers some of its personal loan operations through third party administered automatic teller machines and internet portals. The Issuer uses advanced software, systems and networks to manage its customer and accounting data and other aspects of its business. This hardware and software is vulnerable to damage or interruption by human error, misconduct, malfunction, natural disasters, power loss, sabotage, computer viruses and similar events or the interruption or loss of support services from third parties such as internet data centre operators, system vendors and internet service providers. Any disruption, outage, delay or other difficulty experienced by any of these information and technology systems could result in underwriting or other delays, slower processing of applications and reduced efficiency in servicing including delays in the provision or repayment of borrowings, or decreased consumer confidence in the Issuer's business, or otherwise adversely affect the Issuer's results of operations.

The Issuer is subject to Korea's three major data privacy laws (the "Three Data Laws"), implemented in August 2020, which include: (1) Personal Information Protection Act, (2) Act on the Promotion of Information and Communications Network Utilization and Information Protection and (3) Credit Information Use and Protection Act. Through its business, the Issuer acquires a large amount of personal and financial information related to its customers. In addition, certain third party vendors may provide services to the Issuer using personal and financial information of its customers. Improper use or disclosure of, or a failure to protect or properly control, such information could result in violations of applicable laws or reputational or financial harm to the Issuer. The Issuer takes precautionary measures, including implementation of internal compliance procedures, to prevent and detect misuse or unauthorised disclosure of customers' personal information, but these measures may not be effective in all cases, particularly in respect of third party vendors. There is no assurance that stricter legal and regulatory measures or heightened regulatory activities will not have an adverse effect on the business and operation of such financial institutions, including the Issuer.

**The risk management policies and procedures of the Issuer may not be effective.**

The Issuer must effectively manage credit risk related to consumer debt, merchant bankruptcies and other credit trends and the rate of delinquencies, which can affect spending on credit card products, debt payments by customers and businesses that accept the Issuer's credit card products. Credit risk is the risk of loss resulting from an obligor or counterparty default. The Issuer is exposed to consumer credit risk, principally from credit card receivables, cash advances and card loans. While consumer credit risk is more closely linked to general economic conditions rather than borrower-specific events, it exposes the Issuer to the risk of loss. Third parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, operational failure or other reasons. Country, regional and political risks are components of credit risk. Rising delinquencies and rising rates of bankruptcy are often precursors of future write-offs and may require the Issuer to increase its allowance for doubtful accounts. Higher write-off rates and an increase in its allowance for doubtful accounts may adversely affect the Issuer's profitability and the performance of its securitisations, and may increase its cost of funds. Although the Issuer makes estimates to provide for credit losses in its outstanding portfolios of loans and receivables, these estimates may not be accurate. In addition, the information that the Issuer uses in managing credit risk may be inaccurate or incomplete. Although the Issuer regularly reviews its credit exposures, default risk may arise from events or circumstances that are difficult to foresee or detect, such as fraud. The Issuer may also fail to receive full information with respect to the credit risks of its customers.

The Issuer must also effectively manage the market risk to which it is exposed. Market risk represents the loss in value of portfolio and financial instruments due to adverse changes in market variables. The Issuer is exposed to market risk from interest rates. Changes in the interest rates at which the Issuer borrows and lends money affect the value of its assets and liabilities. If the rate of interest it pays on its borrowings increases more than the rate of interest it earns on its receivables and loans, its net finance charge revenue, and consequently its net income, could fall.

Finally, the Issuer must also manage the operational risks to which it is exposed. The Issuer considers operational risk to be the risk of not achieving its business objectives due to failed processes, people or information systems, or from the external environment, such as natural disasters. Operational risks include the risk that it may not accurately estimate the provision for the cost of its reward programme, as well as the risk that it is unable to manage a downturn in its businesses and/or negative changes in its credit ratings, which could result in contingent payments under contracts, decreased liquidity and higher borrowing costs.

Although the Issuer has devoted significant resources to develop its risk management policies and procedures and expects to continue to do so in the future, its hedging strategies and other risk management techniques may not be fully effective in mitigating risk exposures in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Management of credit, market and operational risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

**The Issuer is dependent upon KB Financial Group and KB Kookmin Bank for new cardholders and financial support.**

A large number of the Issuer's new cardholders are recruited by marketing to the existing customers of certain other subsidiaries of KB Financial Group, in particular, KB Kookmin Bank, and through the branch network of KB Kookmin Bank, which comprised 972 domestic branches as of 31 December 2020. For the year ended 31 December 2020, the Issuer recruited 1,405,267 new cardholders, 429,369 of which were recruited by KB Kookmin Bank and other subsidiaries of KB Financial Group.

Although KB Financial Group is the sole shareholder of the Issuer and KB Kookmin Bank, neither KB Financial Group nor KB Kookmin Bank is obliged to provide any support to the Issuer. In addition, any adverse development of KB Financial Group's or KB Kookmin Bank's financial condition could have an adverse effect on the Issuer in terms of securing its required funding and/or recruiting new cardholders.

**The profitability and financial condition of the Issuer's operations are dependent upon the number of vehicles sold by Hyundai Motor Company and KIA Motors.**

In recent years, financing and extending lease financing for Hyundai Motor Company and KIA Motors' vehicles in Korea combined represented a substantial majority of the total new vehicle financing and leasing amounts of the Issuer in those periods, respectively. As a result, the level of domestic automobile production and sales by Hyundai Motor Company and KIA Motors directly impacts the Issuer's automotive financing and automotive leasing volume. In addition, the resale value of Hyundai Motor Company and KIA Motors' vehicles in Korea, which may be impacted by various factors relating to their respective businesses, such as brand image or the number of new Hyundai Motor Company and KIA Motors' vehicles produced, affects the proceeds the Issuer receives from the sale of repossessed vehicles and off-lease vehicles at least termination.

Hyundai Motor Company and KIA Motors are the leading automobile manufacturers in Korea, with a combined market share of approximately 81% as of 30 June 2020 based on units of new vehicles sold (excluding imported units) according to the Korea Automobile Manufacturers Association ("KAMA").

Any decline in the sales of Hyundai Motor Company and KIA Motors' vehicles in Korea due to a reduction or suspension of Hyundai Motor Company and KIA Motors' production, declining market share, growing popularity of imported cars, excess industry capacity, industry pricing pressures, declines in consumer demand, labour unrest or government action may have an adverse effect on the Issuer's business, financial condition and results of operations.

**Competition in the Korean consumer financial services industry is intense, and if the Issuer is unable to compete successfully or if there is increased competition in the automotive financing, automotive leasing or personal loan markets, the Issuer's margins could be materially and adversely affected.**

The markets for automotive financing, automotive leasing and personal loans are highly competitive. In the past few years, demand for automotive financing and automotive leasing products has generally grown, as customers in Korea have become increasingly familiar with and receptive to automotive financing and automotive leasing. Because the companies that specialise in car rental business have also entered into the automotive leasing market, competition in the automotive financing and automotive leasing sectors has also increased, which puts more pressure on the Issuer's share of automotive financing and lease financing of new vehicles. The Issuer's personal loan business also faces significant competition from existing and new consumer finance companies, including commercial banks, credit card companies and other specialty finance companies in Korea, which have made significant investments and engaged in aggressive marketing campaigns and promotions in these areas.

In addition, foreign financial institutions may further add to the competition in the credit specialised financing industry. Commercial banks have extensive distribution networks in Korea and have lower cost structures, lower cost of capital and are less reliant on securitisation and have a wide range of financial resources. The Issuer faces significant competition in various areas, including product offerings, rates, pricing and fees, and customer service. To the extent the Issuer reduces interest rates or fees on its products and services in response to competitive pressures, the Issuer's interest margins will decline. Furthermore, the average credit quality of the Issuer's customers may decline if higher credit quality customers borrow from the Issuer's competitors rather than from the Issuer. If the Issuer is unable to compete effectively in the markets in which it operates, its profitability and financial condition could be adversely affected.

**Fluctuations in interest rates may negatively affect the Issuer's margins and volumes.**

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 1.2% 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, in March 2020, the BOK further lowered its policy rate to 0.75%, which was further lowered to 0.50% in May 2020, in response to deteriorating economic conditions resulting from the ongoing global outbreak of the COVID-19 pandemic.

The Issuer's profitability is affected by changes in interest rates, as the Issuer realises profit for the period mainly from the margin between interest revenue from its assets and interest expense on its liabilities. Accordingly, if interest rates were to fall sharply or remain at a low level for a significant period of time (the latter being the case in recent years) and the Issuer is unable, for competitive or other reasons, to pass through the effects of interest rate changes to customers by adjusting the interest rates charged to them or by adjusting its cost of funding on a full or timely basis, such developments may limit or reduce the amount of spread between the interest rate that the Issuer can charge customers for loans and receivables (which are recorded as assets) and the interest rate payable by the Issuer for its funding (which is recorded as liabilities). In such cases, the Issuer's business, financial condition and results of operations may be adversely affected.

Conversely, an increase in interest rates may also adversely affect the Issuer's business, financial condition and results of operations in a number of ways, including (i) an increase in funding costs that the Issuer may not be able to timely or sufficiently offset by an increase in the interest rates charged to customers due to competitive, regulatory or other reasons and (ii) a decrease in the volume of the Issuer's automotive financing due to a higher price associated with purchasing an automobile by use of financing relative to cash purchasers.

## Risks relating to the Notes

### The Notes issued may have limited liquidity.

The Notes constitute a new issue of securities for which there is currently no existing trading market. Although the Managers may make a market in the Notes, they are not obliged to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice. No assurances can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the liquidity and market price of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the offering price depending on many factors, including, among others:

- prevailing interest rates;
- the Issuer's results of operations, financial condition and prospects;
- the rate of exchange between the Won and the currency of the Notes;
- political and economic developments in and affecting Korea and other regions;
- the financial condition and stability of the Korean financial and other sectors; and
- the market conditions for similar securities.

### The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States, except to certain persons in offshore transactions in reliance on Regulation S, or, if available, pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and, in each case, in accordance with applicable state securities laws. For a further discussion of the transfer restrictions applicable to the Notes, see "*Subscription and Sale*".

The Notes have not been and will not be registered with the FSC 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 under the Foreign Exchange Transactions Act and the regulations thereunder) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations. In particular, for a period of one year from the date of issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean "qualified institutional buyer" (a "Korean QIB", as defined in the Regulation on Securities Issuance, Public Disclosure, Etc. of Korea) registered with the Korea Financial Investment Association (the "KOFIA") 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 per cent. of the aggregate issue amount of the Notes.

### The interests of the Issuer's controlling shareholder could conflict with the interests of the holders of the Notes.

As of the date of this Offering Circular, the Issuer is a wholly-owned subsidiary of KB Financial Group. As a result, KB Financial Group is in a position to elect and remove the Issuer's directors and control the outcome of most matters submitted to the Issuer's shareholders' meetings for a vote. This controlling shareholder is able to control or significantly influence the outcome of any vote on a proposed amendment to the Issuer's articles of incorporation, merger proposal, proposed substantial sale of assets or other major corporate transactions. The interests of the Issuer's controlling shareholder could conflict with the interests of the holders of the Notes.

### Payments made on or with respect to the Notes may be subject to FATCA withholding tax.

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Korea) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which financial regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes treated as debt for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

### There can be no assurance that the use of proceeds of the Notes will be suitable for the investment criteria of an investor.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "sustainable," and therefore no assurance can be provided to investors that selected eligible social financing will meet all investor expectations regarding social performance. Although the eligible Green and Social eligible projects will be selected in accordance with the GSS Financing Framework attached hereto as Appendix A, there can be no guarantee that the projects will deliver the social benefits as anticipated, or that adverse social impacts will not occur during the design, construction, commissioning and operation of the projects. In addition, where any negative impacts are insufficiently mitigated, the projects may become controversial, and/or may be criticized by activist groups or other stakeholders.

An external consultant, Sustainalytics, has reviewed the GSS Financing Framework and has provided a second party opinion (the "Second Party Opinion") regarding the GSS Financing Framework's social credentials, as well as its alignment with the International Capital Markets Association Green Bond Principles 2018, Social Bond Principles 2020 and Sustainability Bond Guidelines 2018, as well as the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association Green Loan Principles 2020. The Second Party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes.

The GSS Financing Framework and the Second Party Opinion are not incorporated into, and do not form part of, this Offering Circular. Neither the Issuer nor any of the Managers makes any representation as to the suitability of the GSS Financing Framework. Neither the GSS Financing Framework nor the Second Party Opinion is a recommendation to buy, sell or hold securities, and the GSS Financing Framework and the Second Party Opinion are only current as of the date they were each initially published. Furthermore, the GSS Financing Framework and the Second Party Opinion are for information purposes only and neither the Issuer nor any of the Managers accepts any form of liability for the substance of the GSS Financing Framework or the Second Party Opinion and/or any liability for loss arising from the use of the GSS Financing Framework or the Second Party Opinion and/or the information provided therein.

In addition, although the Issuer has agreed to certain reporting and use of proceeds obligations in connection with certain sustainability criteria, the Issuer's failure to comply with such obligations does not constitute a breach or an event of default under the Notes. A withdrawal of the Second Party Opinion or any failure by the Issuer to use the proceeds of the Notes on eligible Green and Social eligible projects or to meet or continue to meet the investment requirements of certain socially-focused investors with respect to such Notes may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose. No assurance can be provided with respect to the suitability of the Second Party Opinion or that the Notes will fulfill the sustainability or social criteria to qualify as sustainable bonds. Each potential purchaser of Notes should determine for itself the relevance of the information provided in the Offering Circular regarding the use of proceeds, including the GSS Financing Framework and Second Party Opinion, and its purchase of Notes should be based upon such investigation as it deems necessary.

## Risks Relating to Korea

### If economic conditions in Korea deteriorate, the Issuer's current business and future growth could be materially and adversely affected.

The Issuer is incorporated in Korea and a significant portion of its assets are located in Korea. As a result, the Issuer is subject to political, economic, legal and regulatory risks specific to Korea, and the Issuer's performance and successful execution of its operational strategies are dependent on the overall Korean economy. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, and future growth of the Korean economy is subject to many factors beyond the Issuer's control, including developments in the global economy.

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

- declines in consumer confidence and a slowdown in consumer spending;
- the occurrence of severe health epidemics, such as the ongoing COVID-19 pandemic;
- adverse conditions or uncertainty in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, including as a result of the ongoing COVID-19 pandemic, deteriorating relations between the United States and China and increased uncertainties resulting from the United Kingdom's exit from the European Union;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates;
- 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 (such as the removal of Korea from Japan's "white list" of preferred trading nations in August 2019 and the controversy between Korea and China regarding the deployment of a Terminal High Altitude Area Defense System in Korea by the United States in March 2017 and the ensuing economic and other retaliatory measures by China against Korea during the remainder of 2017);
- increased sovereign default risk in select countries and the resulting adverse effects on the global financial markets;
- deterioration in the financial condition or performance of small- and medium-sized enterprises 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;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea;
- the economic impact of any pending or future free trade agreements or of any changes to existing free trade agreements;

- social and labor unrest;
- substantial decreases in the market prices of Korean real estate;
- a substantial decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programmes, in particular in light of the Government's ongoing efforts to provide emergency relief payments to households and emergency loans to corporations in need of funding in light of COVID-19, which, together, would likely lead to a national budget deficit as well as an increase in the Government's debt;
- financial problems or lack of progress in the restructuring of Korean business groups, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues concerning certain Korean companies;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- geopolitical uncertainty and risk of further attacks by terrorist groups around the world;
- 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 global supply of oil or sudden increase in the price of oil;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners; and
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

**Escalations in tensions between Korea and North Korea could have an adverse effect on the Issuer.**

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 programmes 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 August 2015, two Korean soldiers were injured in a landmine explosion near the Korean demilitarized zone. Claiming that the landmines were set by North Koreans, the Korean army re-initiated its propaganda programme toward North Korea utilising loudspeakers near the demilitarised zone. In retaliation, the North Korean army fired artillery rounds on the loudspeakers, resulting in the highest level of military readiness for both Koreas.
- 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 the United States and North Korea in June 2018, February 2019 and June 2019, there can be no assurance that the level of tension 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, if high-level contacts between Korea or the United States and North Korea break down or if further military hostilities occur, could have a material adverse effect on the Korean economy and on the Issuer's business, financial condition and results of operations.

### There are special risks involved with investing in securities of Korean companies.

As the Issuer is a Korean company and operates in a business and cultural environment that is different from that of other countries, there are risks associated with investing in its securities that are not typical for investments in securities of companies in other jurisdictions.

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

In addition, the Issuer's audited and unaudited condensed consolidated financial statements included in this Offering Circular are presented in accordance with K-IFRS and its future financial statements will be prepared in accordance with K-IFRS, which differ in certain respects from accounting principles applicable to companies in certain other countries. In making an investment decision, investors must rely upon their own examination of the Issuer, the terms of the offering and the financial and other information contained in this Offering Circular.

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

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

# TERMS AND CONDITIONS OF THE NOTES

*The following terms and conditions will be endorsed on the back of the Definitive Certificate (as defined below) issued in respect of the Notes:*

The issue of the Notes was authorised by a resolution of the Board of Directors of KB Kookmin Card Co., Ltd. (the "**Issuer**") passed on 24 December 2020 and the internal approval made by the authorized officer of the Issuer on 1 February 2021 within the delegation of the above resolution and pursuant to the internal regulation on the authorized levels of approval of the Issuer currently in effect. A fiscal agency agreement dated 13 May 2021 (the "**Fiscal Agency Agreement**") has been entered into in relation to the Notes between the Issuer, Citicorp International Limited as fiscal agent (the "**Fiscal Agent**") and Citibank, N.A., London Branch as registrar (the "**Registrar**") and transfer agent (the "**Transfer Agent**") and any other agent or agents appointed from time to time with respect to the Notes. The Notes have the benefit of a Deed of Covenant (the "**Deed of Covenant**") dated 13 May 2021 executed by the Issuer relating to the Notes. The fiscal agent, the registrar and any transfer agent for the time being are referred to below respectively as the "**Fiscal Agent**", the "**Registrar**" and the "**Transfer Agents**". "**Agents**" means the Fiscal Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Notes. The Fiscal Agency Agreement includes the form of the Notes. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available to the Noteholders following prior written request and satisfactory proof of holding during normal business hours from the specified offices of the Fiscal Agent. The holders of the Notes (the "**Noteholders**") are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Fiscal Agency Agreement.

## 1 Form, Specified Denomination and Title

The Notes are issued in the specified denomination of U.S.$200,000 and higher integral multiples of U.S.$1,000.

The Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and "**holder**" means the person in whose name a Note is registered.

## 2 Transfers of Notes

(a) **Transfer:** A holding of Notes may, subject to Condition 2(e), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Noteholder upon written request and satisfactory proof of holding.

Transfers of interests in Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(b) **Exercise of Options or Partial Redemption in Respect of Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) or Condition 2(b) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) **Transfer or Exercise Free of Charge:** Certificates, on transfer, exercise of an option or partial redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any Agent may require) of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) **Closed Periods:** No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) after any such Note has been called for redemption, or (iii) during the period of seven days ending on (and including) any Record Date.

## 3 Status

The Notes constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations including liabilities in respect of deposits.

## 4 Certain Covenants

(a) **Negative Pledge:** So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer will not create or have outstanding, and will ensure that none of its Principal Subsidiaries will create or have outstanding, any Security Interest, other than any Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders unless, after giving effect thereto, the aggregate principal amount of all such secured Relevant Indebtedness, plus Attributable Debt of the Issuer and its Subsidiaries in respect of Sale/Leaseback Transactions as described in Condition 4(b), in each case entered into after the date of the issuance of the Notes, would not exceed 10% of Consolidated Net Tangible Assets.

For the avoidance of any doubt, the establishment of any receivables financing facility or arrangement pursuant to which a special purpose vehicle (including any special purpose trust) purchases or otherwise acquires accounts receivable of the Issuer shall not be deemed to be affected by Condition 4(a) or 4(b).

(b) **Limitation upon Sale and Leaseback Transactions:** Neither the Issuer nor any Subsidiary may enter into any Sale/Leaseback Transaction after the date of the issuance of the Notes, unless (x) the Attributable Debt of the Issuer and its Subsidiaries in respect thereof and in respect of all other Sale/Leaseback Transactions entered into after the date of the issuance of the Notes (other than transactions permitted by sub-clause (y) below) plus the aggregate principal amount of Relevant Indebtedness secured by any Security Interest on any assets or property then outstanding (excluding any such Relevant Indebtedness secured by any Security Interest described in the definition of Permitted Security Interest below or existing at the date of the issuance of the Notes without equally and ratably securing the Notes), would not exceed 10% of Consolidated Net Tangible Assets, or (y) the Issuer or a Subsidiary within 12 months after such Sale/Leaseback Transaction, applies to the retirement of Relevant Indebtedness, which is not subordinate to the Notes, of the Issuer or a Subsidiary an amount equal to the greater of (i) the net proceeds of the sale or transfer of the property or other assets which are the subject of such Sale/Leaseback Transaction or (ii) the fair market value of any assets or property so leased (in each case as determined by the Issuer); provided that the amount to be so applied shall be reduced by (i) the principal amount of the Notes delivered within 12 months after such Sale/Leaseback transaction to the Agent for cancellation, and (ii) the principal amount of Relevant Indebtedness of the Issuer or a Subsidiary, other than the Notes, voluntarily retired by the Issuer or a Subsidiary within 12 months after such Sale/Leaseback Transaction. Notwithstanding the foregoing, no retirement referred to in this Condition 4(b) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision. Notwithstanding the foregoing, where the Issuer or any Subsidiary is the lessee in any Sale/Leaseback Transaction, Attributable Debt shall not include any Relevant Indebtedness resulting from the guarantee by the Issuer or any other Subsidiary of the lessee's obligation thereunder. The foregoing restriction shall not apply to any transaction between the Issuer and a Subsidiary or between a Subsidiary and a Subsidiary.

(c) **Consolidation, Merger and Sale of Assets:** The Issuer, without the consent of the Noteholders, may consolidate with, or merge into, or sell, transfer, lease or convey its assets substantially as an entirety (each, a "**transaction**") to any corporation organized under the laws of the Republic of Korea ("**Korea**"), provided that (x) any successor corporation expressly, or by operation of law, assumes the Issuer's obligations under the Notes and the Fiscal Agency Agreement, (y) after giving effect to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, and (z) if, as a result of any such transaction, properties or assets of the Issuer or a Subsidiary would become subject to any mortgage, charge, pledge, encumbrance or other security interest which would not be permitted under these Conditions, the Issuer or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Notes (together with, if the Issuer shall so determine, any other indebtedness of the Issuer or such Subsidiary then existing or thereafter created which is not subordinate to the Notes) equally and ratably with (or prior to) all indebtedness secured thereby.

(d) **Certain Definitions:**

"**Attributable Debt**" means, with respect to any Sale/Leaseback Transaction, the lesser of (x) the fair market value of the property or other assets subject to such transaction and (y) the present value (discounted at a rate per annum equally to the discount rate of a capital lease obligation with a like term in accordance with Korean International Financial Reporting Standard ("**K-IFRS**")) of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges and contingent rents) during the term of the lease;

"**Consolidated Net Tangible Assets**" means the total amount of assets of the Issuer and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom (a) all current liabilities (excluding any current liabilities constituting Long-term Debt by reason of their being renewable or extendible) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent audited annual consolidated statement of financial position of the Issuer and its consolidated Subsidiaries and computed in accordance with K-IFRS;

"**Long-term Debt**" means any note, bond, debenture or other similar evidence of indebtedness of money borrowed having a maturity of more than one year from the date such evidence of indebtedness was incurred or having a maturity of less than one year but by its terms being renewable or extendible, at the option of the borrower beyond one year from the date such evidence on indebtedness was incurred.

"**Permitted Security Interest**" means (1) any Security Interest existing as of the date of the Fiscal Agency Agreement, (2) any Security Interest existing on any assets or property prior to the acquisition thereof by the Issuer or any of its Principal Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition; (3) any Security Interest on any assets or property securing Relevant Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Security Interest attaches to such assets or property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof; (4) any Security Interest existing on any assets or property of any Principal Subsidiary prior to the time such Principal Subsidiary becomes a Subsidiary of the Issuer or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof; (5) any Security Interest securing Relevant Indebtedness owing to the Issuer or to a Subsidiary; and (6) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Security Interest permitted by any of the foregoing paragraphs, provided that such Relevant Indebtedness is not increased and is not secured by any additional property;

"**person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof;

**"Principal Subsidiary"** means any Subsidiary (i) whose net sales, as shown by its latest audited financial statements (consolidated in the case of a Subsidiary which itself has subsidiaries and which consolidates its accounts), are at least 10% of the consolidated net sales of the Issuer and its consolidated subsidiaries, as shown by its latest audited consolidated financial statements or (ii) whose gross assets, as shown by its latest audited financial statements (consolidated as aforesaid), are at least 10% of the consolidated gross assets of the Issuer and its consolidated subsidiaries, as shown by its latest audited consolidated financial statements;

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (but excluding for the avoidance of doubt, instruments commonly referred to as transferable loan certificates) which (a) either are by their terms payable, or confer a right to receive payment, in any currency other than Korean Won or are denominated in Korean Won and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Korea by or with the authorization of the Issuer; (b) for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market outside Korea and (c) are not (i) securities issued in accordance with a securitisation plan pursuant to the Asset-Backed Securitisation Act of Korea (or other similar laws of Korea); (ii) securities or instruments serviced primarily by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite period and which are commonly regarded as asset-backed securities; or (iii) derivatives linked securities as defined in the Financial Investment Services and Capital Markets Act of Korea;

"**Sale/Leaseback Transaction**" means any arrangement with any Person which provides for the leasing by the Issuer or any Principal Subsidiary, for an initial term of three years or more, of any assets or property, whether now owned or hereafter acquired, which are to be sold or transferred by the Issuer or any Principal Subsidiary after the date of the issuance of the Notes to such Person for a sale price of U.S.$1,000,000 (or the equivalent thereof) or more where the rental payments are denominated in a currency other than the currency of Korea;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"**Subsidiary**" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Issuer.

## 5 Interest

The Notes bear interest on their outstanding principal amount from and including 13 May 2021 at the rate of 1.500 per cent. per annum, payable semi-annually in arrear on 13 May and 13 November in each year (each, an "**Interest Payment Date**"), except that the first payment of interest, to be made on 13 November 2021, will be in respect of the period from and including 13 May 2021 to but excluding 13 November 2021. Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) 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 (b) the day seven days after the Fiscal Agent has notified Noteholders 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).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), 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.

In these Conditions, the period beginning on and including 13 May 2021 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

## 6 Redemption and Purchase

(a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 13 May 2026. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) **Redemption for Taxation and other Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) 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 Korea or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 6 May 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised persons of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Fiscal Agent shall be protected and shall have no liability to any Noteholder or any other person for so accepting and relying on such certificate or opinion.

(c) **Purchase:** the Issuer and its Subsidiaries (as defined in the Fiscal Agency Agreement) may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 12(a).

(d) **Cancellation:** All Certificates representing Notes purchased by or on behalf of the Issuer shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 7 Payments

(a) **Method of Payment:**

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in the manner provided in paragraph (ii) below.

(ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in the relevant currency and may be made by transfer to an account in the relevant currency maintained by the payee with a bank. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

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

(b) **Payments subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Payment Initiation:** Where payment is to be made by transfer to an account in the relevant currency, payment instructions (for value the due date, or if that is not a Business Day, for value the first following day which is a Business Day) will be initiated, and, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents:** The Fiscal Agent, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Registrar or any Transfer Agent and to appoint additional or other Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders by the Issuer in accordance with Condition 14.

(e) **Delay in Payment:** Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a business day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(a)(ii) arrives after the due date for payment.

(f) **Non-Business Days:** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Seoul, in New York City and in the place in which the specified office of the Fiscal Agent is located.

## 8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Korea or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Korea other than the mere holding of the Note; or

(b) in respect of which the certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days.

(c) in respect of any taxes that would not have been so withheld or deducted but for the failure of the Noteholder or a beneficial owner of the Notes to comply with a request by the Issuer or the Fiscal Agent to satisfy any certification, identification or other reporting requirements, imposed as a precondition to exemption from or reduction in the rate of such taxes, concerning nationality, residence or connection with the Relevant Jurisdiction; provided that at least 30 calendar days prior to the first payment date with respect to which compliance with such certification, identification or other reporting requirement is required, the Noteholder has been notified by the Issuer or the Fiscal Agent that such compliance is required;

(d) in respect of any estate, inheritance, gift, sales, transfer, personal property or other similar taxes;

(e) in respect of any taxes payable other than by withholding or deduction; or

(f) in respect of any combination of paragraphs (a) through (e) above.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

"**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender; and

"**Relevant Jurisdiction**" means Korea or any political subdivision or any authority thereof or therein having power to tax.

None of the Agents shall in any event be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and nor will any Agent be responsible or liable for any failure by the Issuer or the Noteholders or any other person to pay such tax, duty, charges, withholding or other payment or be responsible to provide any notice or information in relation to the Notes in connection with payment of such tax, duty, charges, withholding or other payment.

## 9 Events of Default

If any of the following events ("**Events of Default**") occurs, the Holder of any Notes then outstanding may give written notice to the Issuer (with a copy to the Fiscal Agent) that such Notes immediately becomes due and payable at their principal amount together (if applicable) with any accrued but unpaid interest:

(a) **Non-Payment:** the Issuer fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of seven days in the case of principal and 14 days in the case of interest; or

(b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) **Insolvency:** the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any of its Principal Subsidiaries; or

(e) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or

(f) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the

Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of Korea is not taken, fulfilled or done; or

(g) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or

(h) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 9.

## 10 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, prefunding and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 12 Meetings of Noteholders and Modification and Substitution

(a) **Meetings of Noteholders:** The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of or interest on, the Notes, (iii) to change the currency of payment of the Notes, or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification of the Fiscal Agency Agreement:** The Issuer shall only permit any modification of, without the consent of the Noteholders, to these Conditions or any of the provisions of the Fiscal Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any determination as to prejudice applying to the interests of the Noteholders pursuant to this Condition shall be made by the Issuer and none of the Agents shall have any responsibility or liability whatsoever with respect to such determinations. Any modification shall be binding on the Noteholder and shall be notified by the Issuer to the Noteholder as soon as practicable thereafter in accordance with Condition 14.

(c) **Substitution:** The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders, substitute for itself as principal debtor under the Notes such company (the "**Substitute**") as is specified in the Fiscal Agency Agreement, provided that no payment in respect of the Notes is at the relevant time overdue. The substitution shall be made by a deed poll (the "**Deed Poll**"), to be substantially in the form exhibited to the Fiscal Agency Agreement, and may take place only if (i) the Fiscal Agent has been given 30 days' notice in writing by the Issuer of such intended substitution and the Fiscal Agent has confirmed in writing to the Issuer that the Substitute has fulfilled all necessary "know your customer" and other applicable checks of the Fiscal Agent; (ii) the Substitute shall, by means of the Deed Poll, agree to indemnify each Noteholder against any tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note and which would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution, (iii) the obligations of the Substitute under the Deed Poll, the Notes shall be unconditionally guaranteed by the Issuer by means of the Deed Poll, (iv) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll and the Notes represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Deed Poll of the Issuer have been taken, fulfilled and done and are in full force and effect, (v) the Substitute shall have become party to the Fiscal Agency Agreement by way of a supplement or amendment, with any appropriate consequential amendments satisfactory to the Fiscal Agent, as if it had been an original party to it, (vi) legal opinions addressed to the Noteholders shall have been delivered to them from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (ii) above and in England as to the fulfilment of the preceding conditions of this Condition 12(c) and the other matters specified in the Deed Poll and (vii) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available from the Issuer. References in Condition 9 to obligations under the Notes shall be deemed to include obligations under the Deed Poll.

## 13 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

## 14 Notices

Notices required to be given to the holders of Notes pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fifth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Notes pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of the stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

*So long as the Notes are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or an Alternative Clearing System, notices to the Holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System, for communication by it to entitled accountholders, in substitution for notification as required by the Conditions.*

## 15 Currency Indemnity

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

## 16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## 17 Governing Law and Jurisdiction

(a) **Governing Law:** The Fiscal Agency Agreement and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Agent for Service of Process:** The Issuer irrevocably appoints Law Debenture Corporate Services Limited at 8th Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom as its agent in England to receive service of process in any Proceedings in England based on any of the Notes. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

# 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 are 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 U.S.$1,000 in principal amount of the Notes in respect of which the Global Certificate are 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, Luxembourg, 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 are held on behalf of Euroclear, Clearstream, Luxembourg 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, Luxembourg or an alternative clearing system.

## Paying Agent in Singapore

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 a Global Certificate is exchanged for Definitive Certificates, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global 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 from the issuance of the Notes, after deducting underwriting commission but not estimated expenses of the offering, will be U.S.$298,742,000. The Issuer intends to use such net proceeds to finance and/or refinance, in whole or part, new and/or existing eligible Green and Social eligible projects in accordance with the GSS Financing Framework attached as Appendix A. In particular, the Issuer intends to allocate the net proceeds from the offering of the Notes to finance low-income individuals with low Credit Bureau Scores (as defined in the GSS Financing Framework).

# CAPITALISATION

*The following table sets forth the Issuer's capitalisation as of 31 December 2020 (1) as derived from the Issuer's audited annual consolidated financial statements as of 31 December 2020 included in this Offering Circular and (2) as adjusted to give effect to the issuance of the Notes offered hereby, before deducting the underwriting commission and estimated expenses of the offering by the Issuer and on the assumption that the proceeds from the issuance of the Notes will not be used for the immediate repayment of outstanding borrowings.*

| | As of 31 December 2020 | | | |
|---|---|---|---|---|
| | Actual | | As Adjusted | |
| | (in billions of Won and millions of U.S. dollars)[1] | | | |
| Debt: | | | | |
| Debentures | ₩15,874 | $14,590.3 | ₩16,201 | $14,890.3 |
| Debts | 989 | 908.9 | 989 | 908.9 |
| **Total debt** | 16,863 | 15,499.2 | 17,190 | 15,799.2 |
| Equity: | | | | |
| Share Capital | 460 | 422.8 | 460 | 422.8 |
| Capital surplus | 1,977 | 1,817.1 | 1,977 | 1,817.1 |
| Accumulated other comprehensive income | 3 | 2.3 | 3 | 2.3 |
| Retained earnings | 1,831 | 1,683.4 | 1,831 | 1,683.4 |
| Equity attributable to shareholders of the Parent Company | 4,271 | 3,925.6 | 4,271 | 3,925.6 |
| Non-controlling interests | 11 | 9.8 | 11 | 9.8 |
| **Total equity** | 4,282 | 3,935.4 | 4,282 | 3,935.4 |
| **Total capitalisation**[2] | ₩21,145 | $19,434.6 | ₩21,472 | $19,734.6 |

*Notes:*

(1) The exchange rate used to convert U.S. dollars into Won in the case of the Notes now being issued is Won 1,088.0 to U.S.$1.00, which was the Market Average Exchange Rate in effect on 31 December 2020.

(2) Total capitalisation is defined as total debt plus total shareholders' equity.

Except as disclosed herein, there has been no material change in the Issuer's capitalisation since 31 December 2020, except for a dividend of KRW200,008 million paid to KB Financial Group on March 31, 2021.

# 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(1) | High | Low |
|---|---|---|---|---|
| | (Won per U.S.$1.00) | | | |
| 2013 | 1,055.3 | 1,095.0 | 1,159.1 | 1,051.5 |
| 2014 | 1,099.2 | 1,053.2 | 1,118.3 | 1,008.9 |
| 2015 | 1,172.0 | 1,131.5 | 1,203.1 | 1,068.1 |
| 2016 | 1,208.5 | 1,160.5 | 1,240.9 | 1,093.2 |
| 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 (through 27 April) | 1,114.0 | 1,115.7 | 1,141.1 | 1,083.1 |
| January | 1,114.6 | 1,097.5 | 1,114.6 | 1,083.1 |
| February | 1,108.4 | 1,111.7 | 1,124.0 | 1,099.7 |
| March | 1,133.5 | 1,131.0 | 1,141.1 | 1,121.3 |
| April (through 27 April) | 1,114.0 | 1,120.9 | 1,132.6 | 1,113.4 |

*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 OTHER INFORMATION

*The selected financial and other information set forth below should be read in conjunction with the Issuer's consolidated financial statements and related notes included elsewhere in this Offering Circular. The selected consolidated financial information set forth below as of and for the year ended 31 December 2020 have been derived from the Issuer's audited consolidated financial statements and related notes, which have been prepared in accordance with K-IFRS, as stated in the report included elsewhere in this Offering Circular. The selected consolidated financial information set forth below as of and for the year ended 31 December 2019 have been derived from the Issuer's audited consolidated financial statements and related notes, which have been prepared in accordance with K-IFRS, as stated in the report included elsewhere in this Offering Circular.*

### Consolidated Statements of Comprehensive Income

| | Year ended 31 December | |
|---|---|---|
| | 2019 | 2020 |
| | ₩ (In millions of Won) | |
| **Operating income** | | |
| Interest income | 1,581,547 | 1,631,597 |
| Interest income from financial instruments measured at amortized cost | 1,570,735 | 1,625,973 |
| Interest income from financial instruments measured at fair value through profit or loss | 10,812 | 5,624 |
| Interest expense | (350,890) | (365,817) |
| Net interest income | 1,230,657 | 1,265,780 |
| Fee and commission income | 1,406,238 | 1,486,545 |
| Fee and commission expense | (1,144,463) | (1,085,243) |
| Net fee and commission income | 261,775 | 401,302 |
| Provision for credit losses allowances | (439,765) | (396,376) |
| General and administrative expense | (441,920) | (514,845) |
| Net gains on financial instrument measured at fair value through profit or loss | 371 | 5,794 |
| Net other operating expense | (231,767) | (318,125) |
| **Operating profit** | 379,351 | 443,530 |
| Share of profit of investments in associates | 1,106 | 1,128 |
| Other non-operating income (expense) | 3,362 | (6,638) |
| Net non-operating income (expense) | 4,468 | (5,510) |
| Profit before income tax expense | 383,819 | 438,020 |
| Income tax expense | (67,262) | (114,027) |
| Profit for the year | 316,557 | 323,993 |
| **Other comprehensive income (loss)** | | |
| Remeasurement of net defined benefit liabilities | (3,663) | (7,683) |
| Loss on equity instruments measured at fair value through other comprehensive income | (751) | (8,995) |
| Items that will not be reclassified to profit or loss | (4,414) | (16,678) |
| Share of other comprehensive loss of the associates | (89) | (370) |
| Gain (loss) on cash flow hedging instruments | (5,810) | 5,942 |
| Exchange differences on translating foreign operations | 14 | (5,674) |
| Items that may be reclassified subsequently to profit or loss | (5,885) | (102) |
| **Other comprehensive loss for the year, net of tax** | (10,299) | (16,780) |
| **Total comprehensive income for the year** | 306,258 | 307,213 |

| | Year ended 31 December | |
|---|---|---|
| | 2019 | 2020 |
| | ₩ (In millions of Won) | |
| **Profit for the year attributable to:** | 316,557 | 323,993 |
| Shareholders of the Parent Company | 316,546 | 324,662 |
| Non-controlling interests | 11 | (669) |
| **Total comprehensive income for the year attributable to:** | 306,258 | 307,213 |
| Shareholders of the Parent Company | 306,251 | 308,148 |
| Non-controlling interests | 7 | (935) |

## Consolidated Statements of Financial Position

| | As of 31 December | |
|---|---|---|
| | 2019 | 2020 |
| | ₩ (In millions of Won) | |
| **Assets** | | |
| Cash and due from financial institutions | 205,683 | 273,086 |
| Financial assets at fair value through profit or loss | 573,208 | 316,217 |
| Derivative financial assets | 18,785 | 1,161 |
| Loans measured at amortized cost. | 21,244,439 | 22,511,454 |
| Financial investments | 76,651 | 64,045 |
| Investments in associates | 4,623 | 5,103 |
| Property and equipment | 147,163 | 163,949 |
| Intangible assets | 188,818 | 238,948 |
| Deferred income tax assets | 118,984 | 147,482 |
| Net defined benefit assets | 946 | — |
| Other assets | 410,816 | 350,199 |
| **Total assets** | 22,990,116 | 24,071,644 |
| **Liabilities** | | |
| Debts | 1,129,151 | 988,843 |
| Derivative financial liabilities | 30,982 | 109,383 |
| Debentures | 14,813,456 | 15,874,242 |
| Provisions | 153,433 | 182,143 |
| Net defined benefit liabilities | — | 6,243 |
| Other liabilities | 2,798,173 | 2,629,104 |
| **Total liabilities** | 18,925,195 | 19,789,958 |
| **Equity** | | |
| Share Capital | 460,000 | 460,000 |
| Capital surplus | 1,976,820 | 1,976,987 |
| Accumulated other comprehensive income | 19,058 | 2,544 |
| Retained earnings | 1,606,831 | 1,831,489 |
| **Equity attributable to shareholders of the Parent Company** | 4,062,709 | 4,271,020 |
| **Non-controlling interests** | 2,212 | 10,666 |
| **Total equity** | 4,064,921 | 4,281,686 |
| **Total liabilities and equity** | 22,990,116 | 24,071,644 |

# THE ISSUER

## Introduction

KB Kookmin Card Co., Ltd. (the "Issuer") was spun off from Kookmin Bank on February 28, 2011, to engage in credit card business, and completed its registration on March 2, 2011. The Issuer additionally registered for installment financing business under the Specialized Credit Finance Business Act on May 26, 2015, in order to meet the demands of cardholders for installment financing and to expand new customer base.

In accordance with Specialized Credit Finance Business Act, the Issuer offers various financial services such as credit sales, short-term card loan (cash advances), long-term card loan (card loans) and installment financing. The Issuer is wholly owned by KB Financial Group, Inc. ("KB Financial Group"), see "*KB Financial Group*".

As at December 31, 2020, the Issuer has approximately 20.4 million credit and check cardholders and 2.7 million merchants, and operates 26 branches.

As of 31 December 2020, the Issuer's total assets amounted to ₩24,071.6 billion (U.S.$ 22,124.6 million) and for the year ended 31 December 2020, its net income amounted to ₩324.0 billion (U.S.$ 297.8 million).

As of 31 December 2019, the Issuer's total assets amounted to ₩22,990.1 billion (U.S.$ 21,130.6 million) and for the year ended 31 December 2019, its net income amounted to ₩316.6 billion (U.S.$ 291.0 million).

As of 31 December 2020 and 31 December 2019, the Issuer's capital adequacy ratio, determined in accordance with FSC requirements, was 18.88 per cent. and 18.53 per cent., respectively.

As of 31 December 2020, the Issuer had 1,590 full-time, permanent employees and 21 contract and part-time employees who are employed on a temporary basis. The Issuer's headquarters are located at 30, Saemunan-ro 3-gil, Jongno-gu, Seoul, Republic of Korea.

## Financial Holding Company Structure

In September 2008, KB Kookmin Bank formed a financial holding company, KB Financial Group, pursuant to the Financial Holding Company Act of Korea. As part of establishing a financial holding company structure, the credit card business of KB Kookmin Bank was spun-off to form KB Kookmin Card, and KB Kookmin Card became a wholly-owned subsidiary of KB Financial Group on 2 March 2011. For more information on the financial holding company structure, see "*KB Financial Group*".

## History

### *Corporate History of KB Kookmin Card*

In September 1980, KB Kookmin Bank received approval from the FSC to commence its credit card business, and the credit card division of KB Kookmin Bank commenced issuing credit cards in December 1984. On 25 September 1987, Kookmin Credit Card was established by spinning-off the credit card business of KB Kookmin Bank. In December 1996, it became the first Korean credit card company to achieve ₩10 trillion in credit card usage and in June 2000, it became the first Korean credit card company to be listed on KOSDAQ. On 22 August 1998, Kookmin Credit Card merged with Kookmin Mutual Savings & Finance Co., Ltd. and with Jang-Eun Credit Card Co., Ltd. on 30 December 1998 and extended its operation from credit card operations, factoring and consumer financing to include instalment financing and rental business.

In order to maximise management efficiency and further enhance KB Kookmin Bank's credit card business, KB Kookmin Bank obtained approval from its Board of Directors on 30 May 2003 to merge with Kookmin Credit Card of which KB Kookmin Bank owned 74.27% and merged with Kookmin Credit Card on 30 September 2003. The merger was effected through the issuance of common shares of 8,120,431 by KB Kookmin Bank to the shareholders of Kookmin Credit Card as of 24 July 2003, besides

KB Kookmin Bank, at a ratio of 0.442983 share of KB Kookmin Bank's common stock for each share of Kookmin Credit Card.

On 2 March 2011, KB Kookmin Card was officially established through a horizontal spin-off of the credit card business of KB Kookmin Bank, in order to enhance the business capacity of the credit card operations of KB Financial Group and to strengthen competitiveness of its non-banking businesses.

## Strategy

The Issuer's mission is to become a leading credit card company in Korea that delivers a comprehensive range of value-added financial products and services to its cardholders. In order to achieve its mission, the Issuer is focusing its efforts on strengthening its main business through superior customer management, continued process innovation and improved risk management. In addition, the Issuer is also focused on expanding its business in order to secure continued future growth.

In its pursuit of these goals, the Issuer has implemented the following key strategies:

*Strengthening the market position*. In order to strengthen its market position as a leading credit card company in Korea, the Issuer is expanding its affiliated vendor and digital networks through partnerships with big tech companies. The Issuer is also focusing on advancing its customer management through personalized marketing that caters to individual customer needs.

The Issuer believes that efficient management is crucial to increasing its competitiveness. As such, the Issuer is focusing on increasing cost efficiency and promoting process innovation. The Issuer also seeks to improve its risk management by upgrading its early monitoring and crisis response systems.

*Securing future growth and successful digital transformation*. The Issuer aims to strengthen its market dominance by expanding its process agent business and accelerating its entry into the global market. It established its first overseas subsidiary, KB Daehan Specialized Bank, in Cambodia in 2018. In 2020, it established PT. KB Financia Multi Finance in Indonesia and, in 2021, established KB J Capital in Thailand. The Issuer is also striving to improve its status as a comprehensive financial platform through collaborations and partnerships with various new businesses.

*Establishing a sustainable management system*. The Issuer's mission statement is "Financial service delivering changes—happier life & better world". As such, the Issuer aims to deliver financial services that bring happiness and well-being to customers and society. The Issuer and other members of the KB Financial Group are focused on strengthening the groupwide ESG management system, establishing a collaborative environment under the KB Financial Group's "One Firm, One KB" motto and securing future growth that supports the Korean government's Green New Deal policy.

## Products and Services

### *General*

As a spin-off from KB Kookmin Bank, the Issuer benefits from the combined strengths of a bank-based card company as well as a monoline card company, and offers a range of specialised products to individual retail customers with different cards offering a variety of features and benefits intended to target specific age groups and organisations. The Issuer also offers credit cards to companies for corporate purchases. Receivables generated under the corporate credit cards will not be included in the Receivables Pool.

Each new customer enters into one or more agreements (each, a "Card Agreement") with the Issuer which governs their account with the Issuer (each, an "Account") and the issuance of credit cards (each, a "Card") to the customer (each, an "Accountholder"). Although an Accountholder may nominate family members to receive Cards issued under the Account, the Accountholder remains the primary obligor under the Account. Each holder of a Card issued under an Account is a "Cardholder". The Issuer may alter the terms of a Card Agreement by giving thirty (30) days' notice to the Accountholder. The Issuer offers the following services to Cardholders:

- Credit card services providing the Accountholder with limited credit to purchase products and services ("Credit Card Services"), for which payment must be made either (i) in full on the immediately succeeding monthly payment date (the "Lump Sum Basis") or (ii) on a revolving basis subject to a minimum monthly payment of the greater of (x) 10 per cent. of the amount outstanding and (y) KRW50,000 (the "Revolving Payment Basis").

- Cash advances via ATM/CD machines, bank branches, through the Internet and by telephone ("Cash Advances"), for which payment by the Accountholder must be made either (i) on the Lump Sum Basis or (ii) on the Revolving Payment Basis (which is only available to Accountholders who have used this payment method prior to 31 December 2019).
- The option to purchase products and services from specified merchants on an equal principal instalment basis ("Instalment Services"), for which payments must be made over a fixed term of two months up to a maximum of 24 months.

The option to take out a consumer loan ("Card Loan"), with a borrowing limit and rate of interest based on the applicant's credit score and the duration of the Card Loan. Cardholders with high credit scores are eligible for a type of Card Loan offering several principal deferral options. Customers may request a Card Loan via card branches, the internet and telephone.

The Issuer offers five basic types of Cards: Mastercard, Visa, JCB, AMEX and UPI. The Issuer also has various product affiliations across retail, telecommunications, entertainment and oil industries in order to issue co-brand cards. The Issuer and the affiliated concerns share fees and costs for the service and conduct joint marketing campaigns.

Each Accountholder is allocated a credit limit and each month the Issuer advises Accountholders of the credit limit relating to its Card(s) in a monthly billing statement. A sub-limit is established for Cash Advances. The Cash Advances limit cannot exceed 40 per cent. of the overall credit limit established for the Account, and is generally between 30 to 35 per cent. of the total credit limit established for the Account. Accountholders are required to settle their outstanding balances in accordance with the Card Agreement and may choose a monthly settlement date from a list of 27 possible payment dates (currently the 1st through the 27th of each month). Settlement dates around the end of each month are the most popular since salaries in Korea are commonly paid at the end of the month.

### *Credit Card Products*

The Issuer offers five basic types of credit cards: Mastercard, Visa, JCB, AMEX and UPI. The Issuer also has a wide range of credit card products tailored for credit cardholders' lives and to satisfy their preferences and needs of cardholders. Credit card products offered by the Issuer include:

- cards that provide additional benefits such as frequent flyer miles and reward programme points that can be redeemed by the customer for complementary services, prizes and cash;
- VVIP cards, platinum cards and other preferential members' cards which have higher credit limits and provide additional services in return for higher annual membership fees;
- cards with new features to preferred customers, such as revolving credit cards, travel services and insurance;
- cards with fraud detection and security systems to prevent the misuse of credit cards and to encourage the use of credit cards over the Internet;
- corporate and affinity cards that are issued to employees or members of particular companies or organisations;
- mobile phone cards allowing customers to conduct wireless credit card transactions with their mobile phones;
- cards for charging electric vehicles and eco-friendly cards that reward eco-points for conserving energy;
- mobile cards with no plastic material;
- cards that allow customers to customise their benefits according to spending patterns;
- region specific cards that offer special benefits according to residential area; and
- cards for members of a company or a specific organisation.

The table below sets out target customer information, number of credit cards issued in 2020 and selected feature and service information on the Issuer's more popular credit cards.

| Card Name | Target Customers | Number of Credit Cards issued in 2020 | Selected Features and Services |
|---|---|---|---|
| The easy | Customers in all age groups who prefer customized benefits without complex choices and options | 161,364 | One of the most issued products in 2020. Customers can choose between reward points and discounts.<br>• Option 1. Reward points:<br>Offers reward points on all affiliated vendors. Additional reward points are offered in two of the most used categories (grocery stores, gas stations, etc.) in the month.<br>• Option 2. Discounts:<br>Offers discounts at all affiliated vendors. Additional discounts are offered in two of the most used categories (grocery stores, gas stations, etc.) in the month. |
| Bev3 | Customers who prefer discounts at gas stations and are willing to pay annual fees for premium services | 4,285 | Offers reward points on all affiliated vendors. Offers discounts at gas stations and vouchers at department stores. Offers premium services such as admission to overseas airport lounges and valet parking at hotels. |
| Korean National Police Welfare | Law enforcement officers | 9,541 | Offers discounts in key categories such as gas, transportation, telecommunication, etc. Offers additional reward points once per year based on annual card usage. Provides fee exemption and discounted services at KB Kookmin Bank. |
| Easy Auto Titaniuim | Current and potential car owners | 11,590 | Simple and easy usage requirements for car owners. Offers reward points at all affiliated vendors and additional reward points at automobile related areas (gas stations, car washes, repair shops, auto insurance). |
| Easy All Titanium | Customers seeking personalized benefits | 96,299 | Customers can choose between Auto mode (benefits are automatically applied according to card usage) and DIY mode (benefits are selected by the customer)<br>• Option 1. Auto Mode: 20 categories are divided into 4 groups. According to card usage in the previous month, discounts are offered in 1-3 categories in each group.<br>• Option 2. DIY Mode: Customers can set up their own discount areas and limits within the 20 categories. |

### *Customers and Merchants*

As the Issuer believes that internal growth through cross-selling is limited, it also seeks to enhance its market position by selectively targeting new customers with high net worth and good creditworthiness through the use of a sophisticated and market-oriented risk management system. Credit card applicants are screened and appropriate credit limits are assessed according to internal guidelines based on the Issuer's credit scoring system.

The following table sets forth the number of customers and merchants of the Issuer as of the dates indicated.

| | As of 31 December | |
|---|---|---|
| | 2019 | 2020 |
| | (in thousands, except percentages) | |
| **Issuer:** | | |
| Number of Cardholders[1] | 20,253 | 20,398 |
| Personal accounts | 19,368 | 19,506 |
| Corporate accounts[2] | 885 | 892 |
| Active Cardholders[3] | 8,894 | 9,136 |
| Number of merchants | 2,659 | 2,743 |

*Notes:*

(1) Represents the number of Cardholders with one or more credit or check cards.

(2) Based on Business Registration Number.

(3) Represents the number of Cardholders who used the Card at least once within the last six months.

As of 31 December 2019 and 2020, the Issuer had approximately 10.3 million and 10.6 million personal credit cardholders, respectively.

As of 31 December 2019 and 2020, the Issuer had approximately 2.7 million and 2.7 million merchants, respectively.

## Origination and Marketing

### *General*

In general, the Issuer markets and originates new Accounts through five different channels, which consist of marketing through sales agents, affiliation-related solicitation through strategic alliances, marketing through the internet, telemarketing and voluntary customer application:

- *Marketing through Sales Agents*: The use of external sales agents from card agencies is a highly effective marketing channel for attracting new cardholders.
- *Co-branding and Affiliation-related Solicitation*: The Issuer attracts new Accounts with affiliated companies that have a strategic alliance with the Issuer.
- *Marketing through the Internet*: The Issuer actively utilises its website to attract new customers.
- *Telemarketing*: The Issuer outsources telemarketing activities to an external company. The telemarketers receive commission fees based on origination of new accounts.
- *Voluntary Customer Application*: A customer visiting a branch of KB Kookmin Bank or a sales office of the Issuer to apply for a Card is advised of the range of credit cards by a marketing agent at the relevant branch. This marketing channel has consistently been the most significant source of new Cardholders.

Potential customers complete an application form for a Card, specifying personal details such as salary, employment, employer, address and residence status. The application will also specify the credit limit requested.

### *Application Process*

There are several stages between the receipt of an application from a potential customer to the issuance of a Card.

*Stage 1: Evaluation of Applicant*

The Issuer adopts a two-step credit evaluation for each applicant. As a first step, following the upload of the application form and verified identification documents onto the Issuer's systems, the applicant's profile information, including credit score, delinquency status, financial transaction history, and disposable income, is automatically evaluated. If the applicant is not rejected automatically at this stage, then an underwriter from the Issuer's Credit Analysis Department will verify the applicant's income and payment capability and the other approval criteria set forth below.

*Stage 2: Information Verification*

Each applicant's name, identification and payment capability must be verified. Verification is undertaken by sales agents and branch employees and by underwriters in person and by telephone at various stages of the underwriting process.

*Stage 3: Credit Card Issuance*

Once an application is approved, a credit card number is assigned and the Card is generated. The Card is sent to the applicant, who then registers the Card via ARS, the internet or by visiting a branch of the Issuer or KB Kookmin Bank.

***Customer Information Protection***

Th Issuer has recently instigated a number of strong measures to protect the personal information of its customers. The Issuer reinforced its Customers' Information Protection Department by reorganising it as a separate division, thereby allowing it to enforce internal policies to ensure the protection of customer information in a more effective and efficient manner. The Issuer also reinforced its IT system to strengthen security. In February 2014, the FSS imposed a three-month suspension on certain business areas of the Issuer following an investigation into data breaches at some Korean credit card companies. The ban was lifted in May 2014 and the Issuer's business has since resumed as normal. Since then, the Issuer has been fully committed to protecting customer information and has obtained the Korea Information Security Management System (K-ISMS) certification from the Korea Internet and Security Agency in 2016.

***Credit Card Renewal***

Renewing a Card is the process of re-issuing the card when it expires. Renewal of the validity of the Card is provided to Cardholders who are not delinquent with payments on their Card or cards issued by other institutions. Eligibility for renewal is determined 6 months prior to the expiration of the Card.

***Underwriting***

All applicants are reviewed and evaluated using the Issuer's written policies and procedures including credit scoring methodologies. The Issuer uses two credit scoring systems, as described below.

After a determination of eligibility is made based on the factors set forth above, the Issuer utilises a credit scoring system known as the Application Scoring System ("**ASS**"), under which an applicant's creditworthiness is assessed and the accuracy of information provided is reviewed. The ASS takes into account information provided by the applicant as well as information on an applicant's outstanding credit experience and payment history, obtained from the Issuer's internal records, records of KB Kookmin Bank and external databases, and generates a credit grade which ranges from 1 to 12. Key criteria used in the ASS include the applicant's occupation, position in the workplace, gender, age, type of residential property, duration of delinquencies with other card companies and the sum of cash advances made under other cards. The Issuer then utilises its internal matrix based on the ASS credit grade and the applicant's external credit bureau grade for final assessment. If approved, the applicant's overall credit limit and Cash Advance sub-limit are determined.

The Issuer continues to monitor and review the creditworthiness of a Cardholder on an ongoing basis, utilising a second system known as the Behaviour Scoring System ("**BSS**"). The BSS evaluates factors such as the number of months since Card issuance, Card balance, delinquency status for the preceding month, Cardholder occupation and type of residential property. The behavioural score generated is used to upgrade or downgrade a Cardholder's grading or reduce the Cardholder's credit limit.

To monitor the credit status of its Accountholders, the Issuer periodically accesses information from external sources, including:

- The database of the Korea Credit Information Services (Shinyongjeongbowon), which contains the number of credit cards an applicant holds and details of certain previous delinquencies;
- A shared database maintained since 1998 by the Issuer, BC Card, Samsung Card, Shinhan Card and KEB Card, which contains the delinquency payment history of each of their customers (the database is only accessible by these companies and only records payments in excess of ₩100,000 that are more than five (5) days delinquent); and
- Korean credit rating agencies, which provide accumulated loan information in respect of individuals and information in respect of department store credit cards on a subscription basis.

### *Finance Charges and Fees*

The Issuer derives revenues from annual membership fees paid by Cardholders, interest charged on Card balances, fees and interest charged on Cash Advances and Card Loans, interest charged on deferred payments and merchant fees paid by retail and service establishments. Merchant fees and interest on Card Loan constitute the largest source of revenue for the Issuer.

The annual fees for Cards vary depending on the type of Card and the benefits offered thereunder. For its standard Cards, the Issuer charges an annual membership fee in a range from ₩5,000 to ₩20,000 per credit card. Annual membership fees for various affinity and co-branded cards go up to ₩1 million.

The Issuer charges a periodic finance charge at a fixed rate of interest ranging from 5.9 per cent. to 23.6 per cent. per annum on the outstanding balance under an Account. There is no periodic finance charge assessed on Credit Card Service balances for which payment is made on the Lump Sum Basis provided that the payment is paid on or before the applicable settlement date. Periodic finance charges on Cash Advances and Instalment Services are based on fixed interest rates determined by reference to the credit scoring of the Accountholder and the number of scheduled instalments. The charges for Cash Advances range from 5.9 per cent. to 23.6 per cent. per annum, while charges for Instalment Services are from 8.6 per cent. to 21.6 per cent. per annum.

The Issuer also charges the fees charged by other financial institutions, such as a fee for Cash Advances rendered through the use of an automated teller machine.

The Issuer charges merchant fees ranging from 0.5 per cent. to 2.30 per cent. of the purchased amount, depending on the merchant type, with the average charge being 1.46 per cent. in 2019. Mark-up fees, borne by the Cardholder, are charged for international purchases made on a Lump-Sum Basis. VISA International charges and MasterCard International each charge a mark-up fee of 1 per cent.

If an Account is delinquent, a delinquency fee is charged in addition to the periodic finance charge described above, calculated on the principal balance owed and the period of delinquency, measured in days. The delinquency fee rate ranges from 7.9 per cent. to a maximum rate of 24.0 per cent. per annum.

Although making payments on a revolving basis is more common in many other countries, this payment method is still in its early stages of development in Korea. Cardholders in Korea are generally required to repay their purchases within approximately 14 to 44 days of purchase depending on their payment cycle, except in the case of Instalment Services where the repayment term is typically three to six months. Accounts that remain unpaid after this period are deemed to be delinquent, and the Issuer levies late charges on and closely monitors such accounts. For purchases made on an instalment basis, the Issuer charges interest on unpaid amounts at rates that vary according to the terms of repayment.

Accountholders are required to settle their outstanding balances in accordance with the terms of the credit cards they hold. Accountholders may choose the monthly settlement date. Settlement dates around the end of each month are the most popular since salaries are typically paid at the end of the month. An Accountholder is required to select a settlement date when the account is opened. The cardholder may change the settlement date after the account has been opened but no more than once every two months.

## Servicing

### *Transaction Approval Process*

Credit card transaction approvals are primarily conducted electronically through the "valued-added network" of 17 private companies ("VAN companies") which collect transaction information and send it electronically to the Issuer for approval. If a merchant is not connected to a VAN company, it must telephone the Issuer directly to verify the transaction. During the approval process, the Issuer checks whether the transacting party is an approved Cardholder, whether the Card has been stolen or terminated, whether the merchant is registered with the Issuer and whether the transaction amount exceeds approved credit limits.

Details of approximately 99 per cent. of the sales transactions are initially electronically transferred to the Issuer by VAN companies or directly by merchants. Physical sales slips and invoices are either collected by the Issuer or are sent by merchants and affiliated banks to the Issuer by mail. Sales slips and invoices are matched by random sampling against the approval information before payments to merchants are computed.

### *Billing Process*

The Issuer sends a billing statement to the relevant Accountholder which includes charges incurred on all Cards issued under his or her Account and amounts due under any outstanding Card Loans, by physical mailing or electronic mail. Billing statements are also available online by password-controlled access to the Issuer's internet web site. The Issuer offers a variety of payment dates to each Accountholder. Each statement consolidates all activity during the month on each Card issued under the Account.

### *Verification and Payments to Merchant*

Prior to making payment to merchants, the Issuer verifies the validity of the sales transaction information.

Upon completion of the verification process, the Issuer makes payment to the merchant generally within three (3) business days after receipt of the transaction information.

## Payment Methods

### *Auto Debit*

A majority of Cardholders use the Auto Debit repayment method, whereby the Issuer automatically withdraws payments from a bank account designated by the Cardholder or borrower with an allied bank or member of the CMS network of KFTC.

### *CMS*

An alternative method of repayment offered to Cardholders is the Cash Management Service ("CMS"). If a Cardholder chooses the CMS option, the Cardholder completes a CMS application form (obtained from one of the financial institutions listed below) to request a money transfer to the collection account of the Issuer at the same institution. Cardholders can make a real time CMS payment over the telephone or via internet banking. Banks participating in the CMS system are Industrial Bank of Korea, KEB Hana Bank, KB Kookmin Bank, Standard Chartered First Bank, Kwangju Bank, Woori Bank, Shinhan Bank, Daegu Bank, Kyungnam Bank, Busan Bank, Jeonbuk Bank, Nonghyup Bank and the Korean Postal Service.

### *ARS and Internet*

Cardholders can check amounts due for a billing cycle using the automated response system ("ARS") or via the internet. The Cardholder designates an account for payment from which the Issuer immediately draws the payment amount.

### *Delinquencies*

Failure to make full payment of billed amounts by the payment due date will cause late fees to accrue. The Issuer has a contractual right to declare an event of default and accelerate the maturity of any delinquent payment if a Cardholder fails to repay for more than two consecutive months. In practice, however, the Issuer will take such action only after all other collection methods have been exhausted.

### *Restructuring*

For certain customers, the Issuer may offer to restructure delinquent payments allowing the Cardholder to make payments in instalments. In general, the payment terms for restructured loans consist of an optional down payment and subsequent mandatory monthly interest and principal payments. The restructured loan payment period is subject to a maximum length of 60 months. These restructured loans do not form part of the Receivables Pool. Any Accounts which become restructured Accounts will cease to be Eligible Accounts.

### *Write-offs*

The Issuer can charge-off debts, with FSS approval, on a quarterly basis for balances with an estimated loss of over ₩10 million. A minimum of six months' delinquency period is required for charge-offs.

## Risk Management

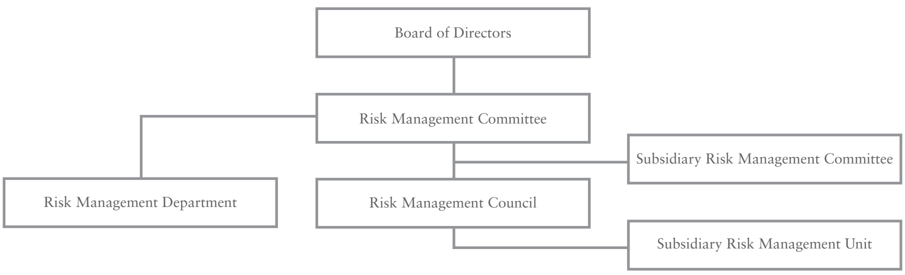
### *Overview*

As a financial services provider, the KB Financial Group is exposed to various risks related to its lending and trading businesses, its funding activities and its operating environment, principally through KB Kookmin Bank, its banking subsidiary. Its goal in risk management is to ensure that it identify, measure, monitor and control the various risks that arise, and that its organization adheres strictly to the policies and procedures which it establishes to address these risks. Under its internal regulations pertaining to its consolidated capital adequacy ratio and internal standards for risk appetite and internal capital under Basel III, it 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 it 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 KB Financial Group has a multi-tiered risk management governance structure. The KB Financial Group's Risk Management Committee is ultimately responsible for group-wide risk management, and directs its various subordinate risk management entities. The Risk Management Council coordinates the implementation of policies set forth by the Risk Management Committee with the relevant risk management units of its subsidiaries. The Subsidiary Risk Management Committee of each of KB Financial Group's subsidiaries, based on the Risk Management Committee's policies, determines risk management strategies and implements risk management policies and guidelines for such subsidiary and directs the activities of the subsidiary's risk management units within the risk guidelines set at the group level. Each Subsidiary Risk Management Committee generally receives inputs from the respective risk management units of such subsidiary, which report to the Risk Management Committee.

The table below sets out the risk management governance structure of the KB Financial Group:




*The KB Financial Group Risk Management Committee*

The KB Financial Group Risk Management Committee is a board-level committee that is responsible for overseeing all risks and advising the board of directors with respect to risk management-related issues. The committee consists of four non-executive directors (one of whom serves as the chairman of the committee), and convenes on a quarterly basis. Its major roles include:

- establishing risk management strategies in accordance with the directives of the board of directors;

- determining target risk appetite;
- allocating risk capital to each subsidiary and approving subsidiaries' risk limits; and
- reviewing the level of risks KB Financial Group is exposed to and the appropriateness of its risk management policies, systems and operations.

*The KB Financial Group Risk Management Council*

The KB Financial Group Risk Management Council is responsible for coordinating with the risk management units of its subsidiaries to ensure that they implement the policies, guidelines and limits established by the Risk Management Committee. The Risk Management Council is comprised of KB Financial Group's chief risk management officer and the chief risk management officers of all of its subsidiaries. The Risk Management Council operates independently from all business units and convenes on a quarterly basis. The Risk Management Council's responsibilities include:

- analysing risk status by using information provided by subsidiary-level risk management units;
- deliberating adjustments to the integrated risk capital allocation plan and risk limits for each of the subsidiaries; and
- coordinating issues relating to the group-wide integration of risk management functions.

*The KB Financial Group's Subsidiary Risk Management Committees*

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

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

The Issuer's Risk Management Committee operates its own Risk Management Council which deliberates and makes decisions on matters delegated by the Risk Management Committee. The Risk Management Committee's Risk Management Group, an independent risk management unit separate from the Issuer's business segments, establishes and monitors Issuer's risk management policies.

***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 KB Financial Group determines the creditworthiness of each type of borrower or counterparty through reviews conducted by its credit experts and through its credit rating systems, and it set a credit limit for each borrower or counterparty.

The KB Financial Group assess and manage all credit exposures. It measures expected losses and internal capital on assets (whether on- or off-balance sheet) that are subject to credit risk management and use expected losses and internal capital as management indicators. It manages credit risk by allocating credit risk internal capital limits. In addition, it 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 it assesses and manages include loans to borrowers and counterparties, investments in securities, letters of credit, bankers' acceptances, derivatives and commitments. Its risk appetite, which is the ratio of its required internal capital to its estimated available book capital, is approved by the Risk Management Committee once a year. Thereafter, it calculates internal capital every month for all of its subsidiaries and on a holding company level based on attributed internal capital in accordance with the risk appetite as approved by the Risk Management Committee, and measures and reports profiles of credit risk on a holding company level and by subsidiary regularly to its senior management, including the Issuer's Risk Management Committee.

The KB Financial Group uses expected default rates and recovery rates to determine the expected loss rate of a borrower or counterparty. It 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 the Issuer's internal database. With respect to large corporate borrowers, the Issuer also uses information provided by external credit rating services to calculate default rates and recovery rates.

The KB Financial Group'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.

### *Debtor Rehabilitation Programme*

The Credit Counseling & Recovery Service has adopted an individual workout programme. For delinquent consumers who are deemed to be capable of repaying their debts, the Credit Counseling & Recovery Service will, pursuant to an agreement with the creditor financial institution, provide opportunities to repay in instalments, provide repayment grace periods, reduce debt amounts, or extend the maturity date of the debts. As of September 2020, approximately 6,000 financial institutions, including the Issuer, are parties to the Credit Recovery Support Agreement, pursuant to which such financial institutions, have agreed to provide such support described above to those consumers who meet the following qualifications: (i) income exceeding minimum living expenses determined by the Credit Counseling & Recovery Service or otherwise being deemed by the Credit Counseling & Recovery Service to have the ability to repay loans, and (ii) debt not exceeding ₩1.5 billion or less (consisting of no more than ₩500 million of unsecured loans and ₩1 billion of secured loans). Each application for credit recovery is reviewed by the Credit Counseling & Recovery Service and approval of each application requires the approval by creditors representing more than one-half of the unsecured debt amount and the secured debt amount respectively.

In June 2006, a court-administered individual workout programme was adopted under the Debtor Rehabilitation and Bankruptcy Act. Under this programme, a qualified individual debtor may file a petition for an individual workout programme with a competent court. Subject to the court's approval, the debtor may repay the debt over a period of not more than three years (or five years if exceptional circumstances exist) and will be exempted from other debts without declaring bankruptcy. To qualify, an individual delinquent debtor must have less than ₩500.0 million in debt (in the case of unsecured debt) or ₩1.0 billion in debt (in the case of secured debts), and must have regular and reliable income or have the potential to earn recurring income on an ongoing basis.

In April 2009, the Credit Counseling & Recovery Service introduced and implemented the "Pre-Workout" scheme in order to prevent debtors with short-term overdue liabilities from defaulting on their debt. The target debtors are those who owe to two (2) or more financial institutions an amount of ₩1.5 billion or less (consisting of no more than ₩500 million of unsecured loans and ₩1 billion of secured loans) that is overdue for more than thirty (30) days but less than ninety (90) days (including 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).

## Allowance for Doubtful Accounts

The impairment loss of loans and receivables is measured at amortised cost, which itself is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Impairment losses are recognised in the profit or loss line item and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through the profit or loss line item for the period.

In assessing individual impairment, impairment losses are calculated using management's best estimate on present value of expected future cash flows. The Group uses all the available information including operating cash flow of the counterparty and net realizable value of any collateral held.

Collective assessment of impairment losses is performed by using a methodology based on historical loss experience and reflecting forward-looking information. Such process incorporates factors such as type of collateral, product and borrowers, credit rating, size of portfolio and recovery period and applies probability of default ("PD") on the basis of group of asses and loss given default ("LGD") by type of recovery method. Also, the expected credit loss model involves certain assumption to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce gap between loss estimate and actual loss experience.

Lifetime expected credit loss as at the end of the reporting period is calculated by product of carrying amount net of expected repayment, PD for each period and LGD adjusted by change in carrying amount.

The table below sets out movements in the Issuer's allowance for credit losses as of the date indicated.

| | As of 31 December | | | |
|---|---|---|---|---|
| | 2019 | 2019 | 2020 | 2020 |
| | (in billions of Won and millions of U.S. dollars) | | | |
| Beginning balance | ₩747.2 | US$686.8 | ₩ 788.5 | US$ 724.7 |
| Provision for loss allowance | 432.0 | 397.1 | 370.7 | 340.7 |
| Write-offs | (518.7) | (476.7) | (526.6) | (484.0) |
| Recoveries | 137.8 | 126.7 | 137.3 | 126.2 |
| Others | (9.8) | (9.0) | (1.5) | (1.4) |
| Ending balance | ₩ 788.5 | US$ 724.9 | ₩ 768.4 | US$ 706.2 |

The table below sets out the balance of credit card assets, factored receivables, general loans, instalment loans and lease receivables of the Issuer by category, the amount of allowance for credit losses and the allowance ratio as of the date indicated.

| | As of 31 December 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Credit card assets | Factored receivables | General loans | Instalment loans | Lease receivables | Total |
| | (in billions of Won, except percentages) | | | | | |
| Balance | 18,769.5 | 0.1 | 589.4 | 3,659.8 | 261.0 | 23,279.8 |
| Allowance | 698.4 | 0.04 | 26.6 | 41.9 | 1.4 | 768.3 |
| Allowance ratio | 3.7% | 40.0% | 4.5% | 1.1% | 0.5% | 3.3% |

*Note:*

(1) This reflects the deferred loan origination fee and the discount account on present value.

| | As of 31 December 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Credit card assets | Factored receivables | General loans | Instalment loans | Privately Placed Bonds | Lease receivables | Total |
| | (in billions of Won, except percentages) | | | | | | |
| Balance[1] | 18,688.1 | 0.1 | 302.1 | 2,857.5 | 14.4 | 170.7 | 22,032.9 |
| Allowance | 739.7 | 0.0 | 22.3 | 25.2 | 0.9 | 0.4 | 788.5 |
| Allowance ratio | 3.96% | 0.00% | 7.38% | 0.88% | 6.25% | 0.23% | 3.58% |

The KB Financial Group recognises fee income from cardholders and merchants on an accrual basis applying the following five steps: (1) Identify the contracts with the customers, (2) Identify the separate performance obligations, (3) Determine the transaction price of the contract, (4) Allocate the transaction price to each of the separate performance obligations and (5) Recognise the revenue as each performance obligation is satisfied. However, the KB Financial Group recognizes fee income related to delinquent receivables, whose probability of future economic benefits is low, on a cash basis.

The fair value of the consideration received or receivable in respect of an initial sale is allocated to reward points ("points") and other components of fee and commission income. The KB Financial Group provides rewards in various forms including discounts on credit settlements and gifts. The amount allocated to points is estimated at the amount expected to be paid on points rewarded to cardholders in consideration of the expected redemption rate and is recognised as a deduction from the fee and commission income.

## Funding

The Issuer seeks to maintain stable, diversified and low cost funding. The Issuer's principal sources of funding are debentures, borrowings and asset backed securitisations. The Issuer's other sources of funding is commercial paper. To maintain a diversified funding structure, the Issuer aims to reduce gradually its domestic funding and asset backed securitisations whilst increasing international note issuances.

While being a member of the KB Financial Group provides further stability and ensures low cost funding, the Issuer's funding strategy is to secure its necessary funding on its own and to resort to funding from the KB Financial Group only to the extent necessary. Under the Monopoly Regulation and Fair Trade Act, a company may not provide loans to its affiliates under substantially favourable terms and the total liabilities of a holding company, with some exceptions, may not exceed twice of its total capital (referring to an amount obtained by deducting the total liabilities from the total assets on the statement of financial position). In addition, under the Financial Holding Company Act, a financial holding company, with some exceptions, shall not hold stocks issued by its subsidiaries in excess of its equity capital. The Issuer has no additional credit line from KB Financial Group, but may be provided upon request.

The following table sets forth the principal sources of the Issuer's funding as of the dates indicated.

| | As of 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2020 | | |
| | (in billions of Won, except percentages) | | (in millions of U.S. dollars) | (in billions of Won, except percentages) | | (in millions of U.S. dollars) |
| Debentures(1) | 14,822.9 | 93.0% | 13,624.0 | 15,883.8 | 94.2% | 14,599.1 |
| Discount on debentures | (9.5) | (0.1%) | (8.6) | (9.6) | (0.1%) | (8.8) |
| Commercial paper | 1,040.0 | 6.5% | 955.9 | 600.0 | 3.6% | 551.5 |
| Borrowings in foreign currencies | 89.2 | 0.6% | 82.1 | 388.8 | 2.3% | 357.4 |
| **Total** | 15,942.6 | 100% | 14,653.1 | 16,863.0 | 100% | 15,499.2 |

*Note:*

(1) This is the gross amount before the debentures discount.

## Capital Adequacy

The Specialised Credit Financial Business Act (the "SCFB Act") provides for a minimum paid-in capital amount of: (i) ₩20.0 billion in the case of a credit card business company (such as the Issuer) which wishes to engage in one or less of other specialised credit financial businesses (i.e. instalment finance, leasing and new technology financing business) and (ii) ₩40.0 billion in the case of a credit card business company, which wishes to engage in two or more of other specialised credit financial businesses.

Under the SCFB Act and regulations thereof, a credit card company must maintain a "capital adequacy ratio," defined as the ratio of adjusted equity capital to adjusted total asset, of 8.0 per cent. or more (in this sentence, "adjusted equity capital" means the sum of core capital and tier II capital (within the bounds of the core capital), subtracted by certain deductible items, and "adjusted total asset" means the total assets subtracted by cash, unsecured short term deposits, government bonds maturing in three months or less, and certain deductible items).

To the extent a credit card company fails to maintain such ratio, Korean regulatory authorities may issue management improvement recommendation, management improvement requirement or management improvement order against such credit card company, and, if the credit card company violates such management improvement order, Korean regulatory authorities may suspend or revoke the credit card company's business license. As of 31 December 2019 and 2020, the Issuer's capital adequacy ratio was 18.53 per cent. and 18.88 per cent., respectively, based on its financial statements.

The table below sets out a summary of the Issuer's capital base and its capital adequacy ratios based on separate financial statements as of 31 December 2019 and 2020.

| | 31 December 2019 | 31 December 2020 |
|---|---|---|
| | (in billions of Won, except percentages) | (in billions of Won, except percentages) |
| Capital stock | 460.0 | 460.0 |
| Capital surplus | 1,976.8 | 1,976.8 |
| Adjusted retained earnings | 866.2 | 1,056.8 |
| Accumulated other comprehensive income | 20.0 | 3.0 |
| Tier 1 capital | 3,323.0 | 3,496.6 |
| Allowance for doubtful account(1) | 860.0 | 926.1 |
| Tier 2 capital | 860.0 | 926.1 |
| Deduction(2) | 120.6 | 142.8 |
| Total qualifying capital (a) | 4,062.4 | 4,279.9 |
| Total assets | 22,880.5 | 23,652.4 |
| 50% of securitised assets | 0.0 | 0.0 |
| Deduction(3) | 956.0 | 986.0 |
| Adjusted assets (b) | 21,924.5 | 22,666.4 |
| Capital adequacy ratio (a/b) | 18.53% | 18.88% |
| Regulatory requirement | 8% | 8% |

Note:

(1) Allowance for doubtful accounts for credit classified as normal and precautionary.

(2) Sum of deferred tax asset and advance point asset.

(3) Sum of (2), short-term deposits without collateral arrangements and regulatory reserve for credit losses.

## Government Support

Under the Act on the Structural Improvement of the Financial Industry (the "SIFI Act"), the government may, where it deems necessary, make investments in an insolvent financial institution or purchases the securities prescribed by Presidential Decree of such insolvent financial institution, when such a financial institution is deemed unable to continue its business due to a destabilized financial structure following a continued withdrawal of funds. The scope of 'financial institution' under the SIFI Act includes specialised credit financial businesses such as the Issuer.

Further, under the Bank of Korea Act, where the Bank of Korea is generally only permitted to extend credit to the Korean government, government agencies, banks and bank holding companies, when severe impediments to obtaining funds from banks and bank holding companies occur or when there is a strong likelihood of such occurrence, such as periods of severe monetary and credit contraction, the Bank of Korea may, subject to certain approvals and solely at their discretion, extend credit to private enterprises (which includes financial businesses such as the Issuer).

## Competition

In the credit card sector, the Issuer competes principally with existing "monoline" credit card companies, credit card divisions of commercial banks and consumer finance companies. At present, the Issuer competes principally with other credit card companies such as Shinhan Card Co., Ltd., Samsung Card Co., Ltd. and Hyundai Card Co., Ltd. The Issuer currently is second in market share and number of cardholders as well as third in net profit. Due to the relaxation of the financial industry's regulation environment (pursuant to Three Data Laws, Electronic Financial Transaction Act, etc.), it is expected that the Issuer will also start to compete with big tech companies with some of the largest platforms in Korea, such as Naver Financial Corporation, KakaoBank Corp. and Kakao Pay Co., Ltd.

## Legal Proceedings

The Issuer had 16 pending lawsuits as a defendant (excluding minor lawsuits in relation to the collection or management of loans) as of 31 December 2020. Total claim amount was ₩0.9 billion (U.S.$ 0.9 million), of which a legal provision of ₩662 million (U.S.$ 608 thousand) was included in provision for litigation in the accompanying financial statements. Additional losses may be incurred from these legal actions, but the amount of loss is not expected to have a material adverse effect on the Issuer's financial position or results of operations.

# MANAGEMENT AND EMPLOYEES

## Management

### *Board of Directors*

Governance and management of the Issuer are the responsibility of the board of directors (the "Board"), which oversees the operations of the Issuer through several governing bodies. The address for each of the directors on the Board is: c/o KB Kookmin Card Co., Ltd., 30, Saemunan-ro 3-gil, Jongno-gu, Seoul, Republic of Korea. The Board comprises seven directors, four of whom are eligible outside directors under the Corporate Governance of Financial Companies Act of Korea (the "CGFC Act"). Under the CGFC Act, at least half of the Board members must be constituted from eligible outside directors. Outside directors must not engage in the regular business of the Issuer and must satisfy certain eligibility requirement under the CGFC Act. Outside directors must be appointed from the candidate recommended by the Director Candidate Nomination Committee.

The use of outside directors is a result of the Issuer's commitment to improve its corporate governance structure by separating the decision-making function from the execution function. The outside directors, who together should constitute more than 50.0 per cent. of the Board, monitor the governance of the Issuer.

Directors are elected for a renewable term of one year or as determined in the general meeting of shareholders. Terms are renewable subject to Korean Commercial Code, the CGFC Act and related regulations. The Board meets on a regular basis, every quarter on average, to discuss the daily operations of the Issuer. Additional extraordinary meetings can also be convened at the request of the chairman of the Board.

### *Inside Directors*

Two out of seven directors of the Issuer are engaged in the regular business of the Issuer, as of the date of this Offering Circular. The following table sets forth certain information on them.

| Name | Director Since | Position |
|---|---|---|
| Dong-chul Lee .......... | 1 January 2018 | President and CEO |
| Gi-jeong Namgung ....... | 28 April 2020 | Standing Auditor |

### *Outside Directors*

As of the date of this Offering Circular, the Issuer had four outside directors, none of whom were engaged in the regular business of the Issuer, and all of whom are appointed from the candidate recommended by the Director Candidate Nomination Committee as listed below. The following table sets forth certain information on them.

### *Name Director Since Position Outside the Issuer*

| Name | Director Since | Position Outside the Issuer |
|---|---|---|
| Seong-jin Kim ........... | 19 March 2019 | Former Minister of Maritime Affairs and Fisheries; former president of Hankyung University |
| Yeon-ho Kim ........... | 19 March 2020 | Former vice president of Deloitte Anjin LLC |
| Si-hwan Park ........... | 19 March 2020 | Former Supreme Justice; former professor at Inha University |
| Gyeong-sik Shin ......... | 28 September 2019 | Former senior vice president of the Korean Business Administration Association; Professor at Ewha Womans University School of Business Administration |

### *Non-executive Director*

As of the date of this Offering Circular, the Issuer had one non-executive director who is not engaged in the regular business of the Issuer.

| Name | Director Since | Position Outside the Issuer |
|---|---|---|
| Hwan-ju Lee . . . . . . . . . . . . | 17 February 2021 | CFO of the KB Financial Group |

### *Committees*

Currently, the Issuer has six committees serving under the Board: the Outside Director Nomination Committee, the Audit Committee, the Risk Management Committee, the Renumeration Committee, the Representative Director Candidate Nomination Committee and the Audit Committee Member Candidate Nomination Committee. The responsibilities of each of the committees are subject to requirements under the CGFC Act and determined by the Board pursuant thereunder.

#### *Outside Director Nomination Committee*

This committee currently consists of three Board members. The chairperson of the Audit Committee is Gyeong-sik Shin. Under the CGFC Act, more than 50 per cent. of the members of the Committee must be appointed from outside directors. This committee oversees the selection of candidates for outside directors and recommends them annually sometime prior to the general stockholder meeting.

#### *Audit Committee*

This committee currently consists of three Board members. The chairperson of the Audit Committee is Yeon-ho Kim. Under the CGFC Act, more than two thirds of the members of the Audit Committee must be appointed from outside directors and one of them must be a financial expert. The Audit Committee oversees the Issuer's financial reporting and approves the appointment of its independent auditors. This committee also reviews the Issuer's financial information, auditor's examinations, key financial statement issues and the administration of its financial affairs by the Board. In connection with the general meetings of stockholder, this committee examines the agenda for, and financial statements and other reports to be submitted by, the Board to each general meeting of stockholder. This committee holds regular meetings every quarter.

#### *Risk Management Committee*

This committee consists of three Board members. The chairperson of the Risk Management Committee is Seong-jin Kim. This committee is responsible for reviewing and approving the major policies relating to the Issuer's credit risk management determined by the Issuer's Risk Management Council. This committee convenes at least once every quarter and may also convene on an ad hoc basis as needed.

#### *Renumeration Committee*

This committee currently consists of three Board members. The chairperson of the Renumeration Committee is Gyeong-sik Shin. This committee is responsible for performance evaluation and renumeration calculation for specific employees and directors.

#### *Representative Director Candidate Nomination Committee*

This committee currently consists of four Board members. The chairperson of the Representative Director Candidate Nomination Committee is Seong-jin Kim. Under the CGFC Act, more than 50 per cent. of the members of the Committee must be appointed from outside directors. This committee oversees the selection of candidates for directors and recommends them annually sometime prior to the general stockholder meeting.

#### *Audit Committee Member Candidate Nomination Committee*

This committee currently consists of three Board members. The chairperson of the Audit Committee Member Candidate Nomination Committee is Si-hwan Park. Under the CGFC Act, more than 50 per cent. of the members of the Committee must be appointed from outside directors. This committee oversees the selection of candidates for audits and recommends them annually sometime prior to the general stockholder meeting.

### *Remuneration*

The aggregate remuneration and benefits in kind granted by the Issuer to its registered Directors for the year ended 31 December 2020 was ₩1,420.0 million (U.S.$ 1.3 million).

### *Loans to Directors and Other Transactions*

As of 31 December 2020, there were ₩11.1 million (U.S.$ 10.2 thousand) in loans outstanding made by the Issuer to its Directors. There are no guarantees provided by the Issuer for the benefit of any of the Issuer's Directors or senior management. None of the Directors or officers has or had any interest in any transaction effected by the Issuer which are or where unusual in their nature or conditions or significant to the business of the Issuer and which were effected during the current or immediately preceding year or where effected during an earlier year and remain in any respect outstanding or unperformed.

## Employees

As of 31 December 2020, the Issuer had a total of 1,590 full-time employees and 21 contract and part-time employees who are employed on a temporary basis. The Issuer believes that it has a good relationship with its employees. The Issuer has not experienced a work stoppage of a serious nature. The union and management negotiate and enter into a new collective bargaining agreement that has a one-year duration.

The Issuer's employee compensation is based on a combination of the agreed-upon base salary and bonuses. The bonus system is based on individual performance and business unit performance. The Issuer, like most other non-banking financial institutions in Korea, grants its employees annual increases in basic wages and pays periodic bonuses and overtime. For the year ended 31 December 2020, salaries and wages comprised 26.9 per cent. of total general and administrative expenses of the Issuer. The Issuer provides a wide range of fringe benefits to its employees, including housing subsidies, medical care assistance and educational and training opportunities.

# KB FINANCIAL GROUP

## Introduction

KB Financial Group is one of the leading financial institutions in Korea in terms of total assets, revenues, profitability and capital adequacy, among others. Incorporated on September 29, 2008, under the Financial Holding Companies Act of Korea, KB Financial Group and its subsidiaries derive substantially all of their revenue and income from providing a broad range of businesses, including commercial banking, credit cards, asset management, non-life and life insurance, capital markets activities and international banking and finance. As part of its commercial banking activities, KB Financial Group provide credit and related financial services to individuals and small- and medium-sized enterprises and, to a lesser extent, to large corporate customers. It also provides a full range of deposit products and related services to both individuals and enterprises of all sizes. It provides these services predominantly through Kookmin Bank.

KB Financial Group's combined banking network of 972 branches as of December 31, 2020, one of the most extensive in Korea, provides a solid foundation for its business and is a major source of its competitive strength. This network provides KB Financial Group with a large, stable and cost effective funding source, enables KB Financial Group to provide its customers convenient access and gives KB Financial Group the ability to provide the customer attention and service essential to conducting its business, particularly in an increasingly competitive environment. KB Financial Group's branch network is further enhanced by automated banking machines and fixed-line, smartphone and Internet banking.

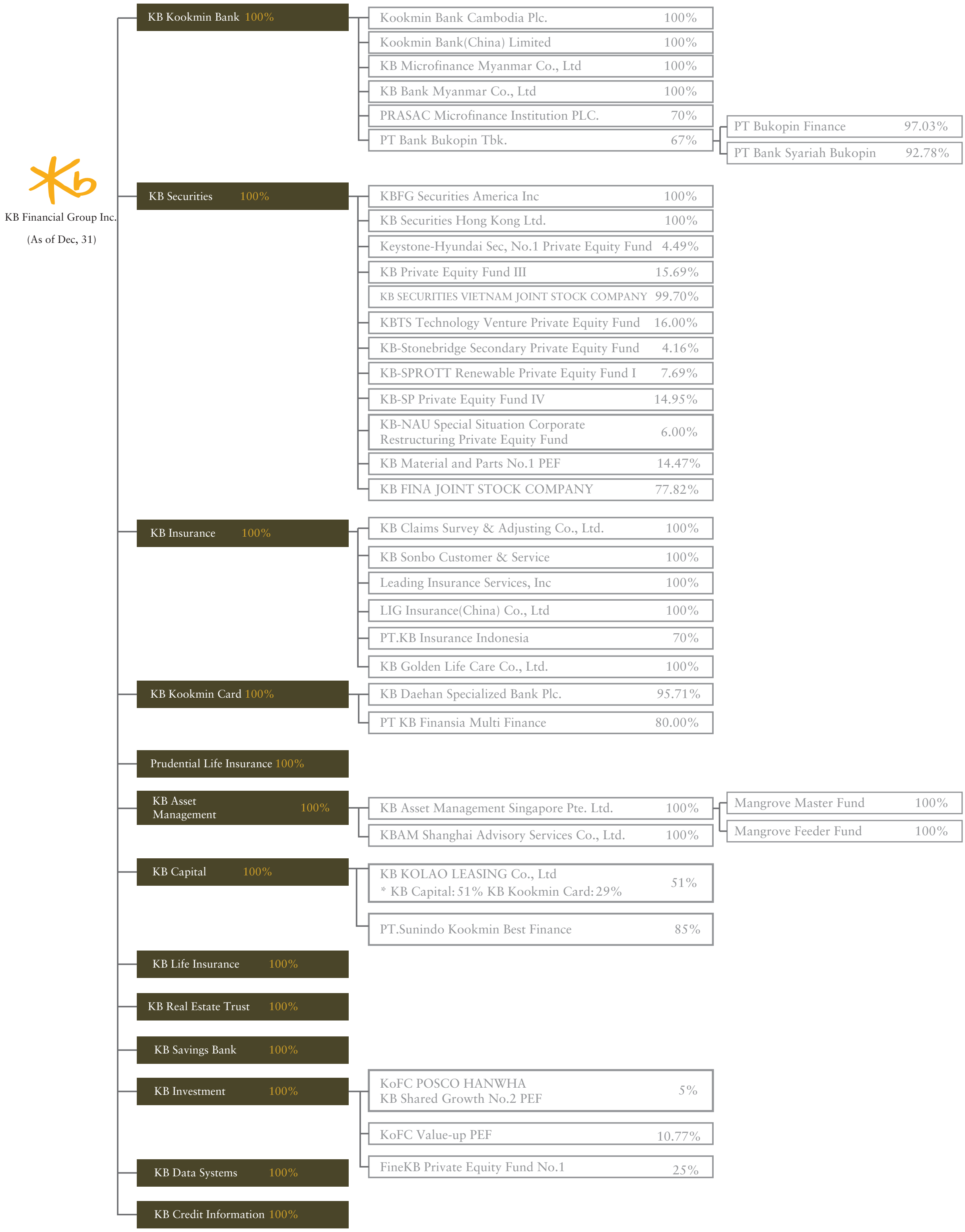
## History and Organization

KB Financial Group was established as a new financial holding company on September 29, 2008 pursuant to a "comprehensive stock transfer" under Korean law, whereby holders of the common stock of Kookmin Bank and certain of its subsidiaries transferred all of their shares to KB Financial Group in return for shares of KB Financial Group's common stock. KB Financial Group was established pursuant to the Financial Holding Company Act, which was enacted in October 2000 and which, together with associated regulations and a related Enforcement Decree, has enabled banks and other financial institutions, including insurance companies, investment trust companies, credit card companies and securities companies, to be organized and managed under the auspices of a single financial holding company.

Since its inception, KB Financial Group has expanded its operations, in large part, through strategic acquisitions, establishing subsidiaries or formation of joint ventures. In 2011, Kookmin Bank spun off its credit card business segment and established KB Kookmin Card Co., Ltd., and KB Investment & Securities Co., Ltd. merged with KB Futures Co., Ltd. KB Financial Group established KB Savings Bank Co., Ltd. in January 2012, acquired Yehansoul Savings Bank Co., Ltd. in September 2013, and KB Savings Bank Co., Ltd. merged with Yehansoul Savings Bank Co., Ltd. in January 2014. In March 2014, KB Financial Group acquired Woori Financial Co., Ltd. and changed the name to KB Capital Co., Ltd. Meanwhile, KB Financial Group included LIG Insurance Co., Ltd. as an associate and changed the name to KB Insurance Co., Ltd. in June 2015. Also, KB Financial Group included Hyundai Securities Co., Ltd. as an associate in June 2016 and included as a subsidiary in October 2016 by comprehensive exchange of shares. Hyundai Securities Co., Ltd. merged with KB Investment & Securities Co., Ltd. in December 2016 and changed the name to KB Securities Co., Ltd. in January 2017. KB Insurance Co., Ltd. became one of the subsidiaries through a tender offer in May 2017.

Most recently, in April 2020, KB Financial Group entered into a share purchase agreement to acquire all of the outstanding shares of The Prudential Life Insurance Company of Korea, Ltd., or Prudential Life Insurance, a provider of life insurance services in Korea, from Prudential Financial, Inc. to strengthen KB Financial Group's life insurance operations. In August 2020, Prudential Life Insurance became a subsidiary of KB Financial Group.

As of the date hereof, KB Financial Group has 13 direct and 37 indirect subsidiaries. The following diagram shows KB Financial Group's organization structure as of December 31, 2020:




All of KB Financial Group's subsidiaries are incorporated in Korea, except for the following:

- Kookmin Bank Cambodia PLC (incorporated in Cambodia);
- Kookmin Bank (China) Ltd. (incorporated in the People's Republic of China );
- KBFG Securities America Inc. (incorporated in United States);

- KB Securities Hong Kong Ltd. (incorporated in Hong Kong);
- KB Securities Vietnam Joint Stock Company (incorporated in Vietnam);
- KB FINA JOINT STOCK COMPANY (incorporated in Vietnam);
- KB Asset Management Singapore Pte. Ltd. (incorporated in Singapore);
- KB Microfinance Myanmar Co., Ltd. (incorporated in Myanmar);
- KB Bank Myanmar Co., Ltd (incorporated in Myanmar);
- Prasac Microfinance Institution PLC. (incorporated in Cambodia);
- PT Bank Bukopin Tbk (incorporated in Indonesia);
- Leading Insurance Services, Inc. (incorporated in the United States);
- LIG Insurance (China) Co., Ltd. (incorporated in the People's Republic of China);
- PT. KB Insurance Indonesia (incorporated in Indonesia);
- KB Daehan Specialized Bank Plc. (incorporated in Cambodia);
- PT KB Finansia Multi Finance (incorporated in Indonesia);
- KB KOLAO Leasing Co., Ltd. (incorporated in Laos);
- PT. Sunindo Kookmin Best Finance (incorporated in Indonesia); and
- KBAM Shanghai Advisory Services Co., Ltd. (incorporated in China).

## Major Shareholders

The following table sets forth certain information relating to the beneficial ownership of KB Financial Group's common shares (unless otherwise indicated) as of December 31, 2020.

| Name of Shareholder | Number of Share of Common Stock | Percentage of Total Outstanding Shares of Common Stock (%)[1] |
|---|---|---|
| National Pension Service | 41,287,280 | 9.93% |
| JP Morgan Chase Bank[2] | 25,053,574 | 6.03% |
| BlackRock Fund Advisors | 25,050,939 | 6.02% |
| Employee Stock Ownership Association | 7,390,109 | 1.78% |
| Others | 317,026,018 | 76.24% |
| **Total** | 415,807,920 | 100.00% |

*Notes:*

(1) Calculated based on 415,807,920 shares of KB Financial Group's common stock issued as of December 31, 2020.

(2) As depositary bank.

Other than those listed above, no other person or entity known by KB Financial Group, jointly or severally, directly or indirectly own more than 5% of its issued and outstanding voting securities or otherwise exercise control or could exercise control over it. None of its shareholders have different voting rights.

# THE KOREAN CREDIT CARD INDUSTRY

## Introduction of Credit Cards in Korea

Credit cards were originally introduced in Korea by retailers who would issue cards to their customers as a payment method. In 1969, Shinsegae Department Store issued Korea's first domestic credit card to its shoppers.

Korean banks entered the credit card sector in 1978 when Korea Exchange Bank issued international credit card under a license agreement with VISA International, Inc., which was followed by Kookmin Bank in 1980. In 1982, several commercial banks jointly established the Bank Credit Card Association (later renamed "BC Card" in 1987), which issued cards for its participants. In addition, foreign credit card companies such as American Express Company and Diners Company International Ltd. entered the Korean market in 1980 and 1984, respectively. The enactment of the Credit Card Business Act in 1987 restricted the operation of credit card business to government-licensed firms. As a result, Korea Exchange Bank and Kookmin Bank transferred their respective credit card related operations to their affiliated companies. In the late 1980s, chaebols, such as Samsung Group and LG Group, acquired existing credit card companies and entered into the credit card market. The entrance of new credit card companies that were affiliated to banks, which had a well-established customer base, and chaebols contributed to the broadening use of credit cards in Korea.

Currently, the Korean credit card industry (excluding independent merchants providing credit cards for sole use with such merchants) comprises 11 banks with credit card operations and nine independent credit card companies, six of which are bank-affiliated credit card companies and three of which are monoline credit card companies. All of the independent credit card companies in Korea are either bank or chaebol-affiliated. Chaebol-affiliated credit card companies include Hyundai Card, Samsung Card and Lotte Card. The current credit card landscape in Korea is set forth in the table below:

| Classification | Number | Companies |
|---|---|---|
| **Independent Credit Card Companies (9)** | | |
| Bank Affiliated | 6 | KB Kookmin Card, BC Card, Shinhan Card, KDB Capital, Hana Card, Woori Card |
| Specialty | 3 | Samsung Card, Hyundai Card, Lotte Card |
| **Banks Operating Credit Card Business (11)** | 11 | Standard Chartered Bank Korea Limited, Industrial Bank of Korea, NH Bank, Daegu Bank, Pusan Bank, Kyongnam Bank, Citibank Korea, Jeju Bank, Suhyup Bank, Jeonbuk Bank, Kwangju Bank |

## Growth

Credit card companies in Korea primarily provide financing for purchase of merchandise and services, payment for which must be made either (i) in full on each monthly payment date (i.e. lump sum), (ii) in equal monthly instalments over a pre-selected period of time (i.e. instalment) or (iii) on a revolving basis subject to a minimum percentage of the amount outstanding on each monthly payment date (i.e. revolving). Credit card companies also provide cash advance services, under which card members may borrow cash from automatic teller machines or cash dispensers subject to daily interest charges, and card loan services, which are small-amount unsecured loans provided to card members.

Credit card companies began to play a significant role after 1997 in Korea. The growth of the credit card industry mirrored the rebound of Korean economy following the 1997 Asian financial crisis. In 1998, the Government introduced a set of policies to promote the use of credit cards. In 1999, the Government abolished the ₩700,000 limit on cash advances a cardholder may receive in a given billing cycle. In 1999, a shared merchant system was introduced to increase the convenience of credit card usage. Under this shared merchant system, if one or more credit card companies enter into an agreement with a merchant to allow their cardholders to use their credit cards to purchase such merchant's merchandise or service, then such merchant is required to accept the credit cards issued by every other credit card company in Korea under the same terms as set forth under the original agreement. This shared merchant legislation was followed by a new tax policy aimed at improving transparency in the Korean tax system, the effect of which was to encourage credit card usage. In September 1999, the Korean National Tax Service introduced an income deduction scheme, which allows a taxpayer a deduction from taxable income an amount equal to 10 per cent. of the aggregate card purchase volume amount in a given taxable year that exceeds 10 per cent. of such taxpayer's total gross income for such taxable year, subject to a maximum amount a taxpayer can deduct which can vary from year to year. In addition, the Government commenced operating a state-run monthly lottery for credit card users in 2000.

In the late 1990s and early 2000s, credit card companies, led by Samsung Card and LG Card Co., Ltd., developed new services and aggressively marketed their products. Cash advance and card loan services were granted to more members and the limits on such advances and loans were raised. Membership reward programmes were introduced and expanded, and various discount benefits were provided to credit card members. The credit card companies hired "credit planners" who were paid by the number of new card member recruits, and the more aggressive credit planners signed up new card members off the street with little or no background or credit check.

The Government's incentives to promote credit card usage, together with aggressive marketing of credit card companies, contributed to the overall growth of the credit card industry in Korea during this period. The growth in credit card service use was also attributable to the absence of a personal checking system in Korea and the absence of alternative consumer finance products.

## Recent Status

Korea currently has a relatively high credit card penetration ratio in terms of number of cards per capita and card usage compared to private consumption. Korean consumers settle more than 70 per cent. of their consumption spending using a credit card according to the Credit Finance Association of Korea. The prevalence of credit card usage among Korean consumers is also reflected in the number of credit cards per economically active person, which was 3.9 cards per economically active person as of 31 December 2019.

The Korean credit card industry has been showing steady growth due to an increase in personal expenditure and consumption and an increase in credit card transactions since 2005. Due to this steady growth, competition among credit card companies has intensified which has resulted in increased credit card benefits to customers.

These developments have helped independent credit card companies more than bank operated credit card businesses because independent credit card companies can focus solely on the credit card business. As banks have focused more on mortgage loans, which is their primary retail business, their credit card businesses consequently have declined. As a result, this has contributed to the growing market share of independent credit card companies.

In addition, credit card companies have enhanced their credit risk management capabilities. Since the commencement of the global financial crisis in 2008, credit card companies have taken measures to reduce their credit risk by managing credit limits and reassessing their customer group, among others, while maintaining the quality of their asset portfolios and cardholders. Despite strengthening credit card regulations by the Government and the possibility of reduced profitability due to increased competition, the credit card industry has maintained steady growth. It maintained a steady level of profitability mainly due to lowering credit costs through improving asset quality and a decrease in funding costs amidst a low interest rate environment. The capital adequacy ratio of the independent credit card companies increased from 19.0 per cent. in 2005 to 22.3 per cent. in December 31, 2020, according to the FSS. As of 31 December 2019, the capital adequacy ratio of all independent credit card companies exceeded the 8.0 per cent. guideline provided by the FSC. From 2008 to 2020, the quality of the assets of the independent credit card companies improved. The average delinquency ratio of the independent credit card companies fell from 3.43 per cent. as of 31 December 2008 to 1.29 per cent. as of 31 December 2020 according to the FSS.

# 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 notes 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 individual income tax or corporate income tax applicable to interest on the Notes, for a Non-Resident without a permanent establishment in Korea, would be 14 per cent. of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10 per cent. of the individual income tax or corporate income tax (raising the total tax rate to 15.4 per cent.).

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 entitlement to reduced tax 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 (which is defined as an organization established in a foreign jurisdiction that manages funds collected through investment solicitation by way of acquiring, disposing of, or otherwise investing in investment targets and then distributes the outcome of such management to investors), the overseas investment vehicle (subject to certain exceptions) must collect from each of its beneficial owners an application for entitlement to reduced tax rate and submit an overseas investment vehicle report and a schedule of beneficial owners. Effective from January 1, 2020, an overseas investment vehicle that was not established for the purpose of unjustifiably reducing income tax liabilities in Korea and bears tax liabilities in the country of its residence is deemed to be a beneficial owner of Korean source income for income tax purposes. The benefits under a tax treaty between Korea and the country of such overseas investment vehicle's residence will apply with respect to the relevant income paid to such overseas investment vehicle, subject to certain application requirements as prescribed by the Corporate Income Tax Law or Individual Income Tax Law.

## 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 the 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 per cent. (including local income tax) of the gross realisation proceeds or (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22 per cent. (including local income tax) of the realised gain (i.e., the excess of the gross realisation 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 per cent. (including local income tax) of the gross realisation 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.

Furthermore, 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. Effective from January 1, 2020, an overseas investment vehicle that was not established for the purpose of unjustifiably reducing income tax liabilities in Korea and bears tax liabilities in the country of its residence is deemed to be a beneficial owner of Korean source income for income tax purposes. The benefits under a tax treaty between Korea and the country of such overseas investment vehicle's residence will apply with respect to the relevant income paid to such overseas investment vehicle, subject to certain application requirements as prescribed by the Corporate Income Tax Law or Individual Income Tax Law.

However, this requirement does not apply to exemptions under Korean tax law.

## Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was a Korean resident (as such term is defined under Korean inheritance and gift tax laws) 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 per cent. to 50 per cent. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under the Inheritance Tax and Gift Tax Law, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and, consequently, the Korean inheritance or gift taxes will be imposed on transfers of the Notes by inheritance or gift. Prospective purchasers should consult their personal tax advisers 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 5 and 16.5 per cent. (including local income tax), and the tax on capital gains is often eliminated.

A special withholding tax system took effect on 1 July 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 per cent. for interest and the lower of 11 per cent. of gross realisation proceeds or 22 per cent. 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.

Each holder of the Notes should inquire whether such holder is entitled to the benefit of a tax treaty with respect to any transaction involving the Notes. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments and capital gains to file with the payer or the Company a certificate as to his tax residence. In the absence of sufficient proof, the payer or the Company must withhold taxes in accordance with the above discussion.

### Withholding and Gross Up

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of individual income tax or corporate income tax pursuant to the 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.

### Proposed Financial Transaction Tax (“FTT”)

On 14 February 2013, 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. The issuance and subscription of Notes should, however, be exempt.

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.

However, the FTT proposal remains subject to negotiation between the 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.

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 and KB Securities Hong Kong Ltd. (the "Managers") have, pursuant to a Subscription Agreement (the "Subscription Agreement") dated 6 May 2021, agreed to subscribe and pay for, or to procure subscriptions and payment for, the principal amounts 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 has 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 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.

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 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 have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### *European Economic Area*

In relation to each Member State of the European Economic Area, each Manager has represented and agreed that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular to the public in that Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation (as defined below);

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant dealer or dealers nominated by us for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes shall require us or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

### *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 us; 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.

### *Switzerland*

The offering of the Notes in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("FinSA"). The Notes will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Offering Circular does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Notes.

### *Republic of Italy*

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Offering Circular or any other document relating to the Notes in Italy except:

(a) to qualified investors (investitori qualificati), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "Financial Services Act") and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "Issuers Regulation"), all as amended from time to time; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "Banking Act") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

### *Hong Kong*

Each Manager has represented and agreed that:

(i) 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

(ii) 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 organised 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 any other applicable laws, regulations and ministerial guidelines of Japan.

### *Singapore*

This Offering Circular has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the 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)(i)(B) of the SFA;

    (2) where no consideration is or will be given for the transfer;

    (3) where the transfer is by operation of law;

    (4) as specified in Section 276(7) of the SFA; or

    (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

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

### *Korea*

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 under the Foreign Exchange Transactions Act of Korea and the regulations thereunder), except as otherwise permitted under applicable Korean laws and regulations. In addition, during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean QIB who is registered with the KOFIA for Korean QIB bond trading. Furthermore, the Notes acquired by all Korean QIBs at the time of issuance must be no more than 20 per cent. 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 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 under the Foreign Exchange Transactions Act of Korea and the regulations thereunder), except as otherwise permitted under applicable Korean laws and regulations. In addition, during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean QIB who is registered with the KOFIA for Korean QIB note trading, provided that all of the following requirements are satisfied: (1) the Notes shall be issued in a currency other than Korean won and the principal and interest shall be paid in a currency other than Korean won, (2) at least 80% of the aggregate issuance amount of the Notes shall be allocated to those other than Korean residents (which applies only to the Notes acquired from the Issuer or any underwriter at the time of issuance), (3) the Notes shall be those listed on a major overseas securities market specified by the governor of the FSS, those registered with or reported to a foreign financial investment supervisory agency of the country in which a major overseas market is established, or those for which any other procedure that may be deemed a public offering in the above country is completed, (4) measures shall be taken to state the condition that the Notes shall not be transferred to any resident of Korea other than Korean QIB at the time of issuance or within one year from the date of issuance of the Notes on the face of such Notes (limited to cases where any physical instrument is issued), the underwriting agreement, subscription agreement or offering document and (5) the Issuer and the managers (limited to cases where a manager is appointed) shall take measures under foregoing items (1) through (4), and the Issuer and the managers shall, severally or jointly, preserve evidential documents in relation thereto.

(b) The Notes will bear legends to the following effect:

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. 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 UNDER THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND THE REGULATIONS THEREUNDER) OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENTS OF KOREA, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, DURING THE FIRST YEAR AFTER THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A "QUALIFIED INSTITUTIONAL INVESTOR" (A "KOREAN QIB," AS DEFINED IN THE REGULATION ON SECURITIES ISSUANCE, PUBLIC DISCLOSURE, ETC. OF KOREA) WHO IS REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES.

### *Other Transfer Restrictions Applicable to the Notes*

The Notes have not been and will not be registered under the Securities Act. The Notes 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 Certificate. Such interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg and their respective direct and indirect participants. See "*Terms and Conditions of the Notes" and "The Global Certificate*."

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 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 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 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 KB KOOKMIN CARD 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").

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. 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 UNDER THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND THE REGULATIONS THEREUNDER) OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENTS OF KOREA, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, DURING THE FIRST YEAR AFTER THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A "QUALIFIED INSTITUTIONAL INVESTOR" (A "KOREAN QIB," AS DEFINED IN THE REGULATION ON SECURITIES ISSUANCE, PUBLIC DISCLOSURE, ETC. OF KOREA) WHO IS REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES.

# LEGAL MATTERS

Certain legal matters relating to the issue and sale of the Notes will be passed upon for the Issuer by Shin & Kim LLC as to matters of Korean law and for the Managers by Linklaters LLP as to matters of English law. Shin & Kim LLC may rely as to all matters of English law on the opinion of Linklaters LLP and Linklaters LLP may rely as to all matters of Korean law on the opinion of Shin & Kim LCC.

# INDEPENDENT ACCOUNTANTS

The consolidated financial statements of the Company as of and for the year ended 31 December 2020 included elsewhere in this Offering Circular have been audited by KPMG Samjong Accounting Corp., independent auditors, as stated in its report appearing elsewhere in this Offering Circular. Independent Auditor's Report contains an emphasis of matter paragraph regarding estimation uncertainty due to COVID-19 pandemic.

The consolidated financial statements of the Company as of and for the years ended 31 December 2019 and 2018 included elsewhere in this Offering Circular have been audited by Samil PricewaterhouseCoopers, independent auditors, as stated in their report appearing elsewhere in this Offering Circular.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

### Financial Statements of the Issuer

**Audited Annual Consolidated Financial Statements of the Issuer as of and for the Year Ended 31 December 2020**



**Audited Annual Consolidated Financial Statements of the Issuer as of and for the Years Ended 31 December 2019 and 2018**

## Independent Auditors' Report

(Based on a report originally issued in Korean)

The Board of Directors and Stockholder
KB Kookmin Card Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of KB Kookmin Card Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

### Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

As a matter that does not affect our audit opinion, we draw attention to the following matter.

As described in Note 31 to the consolidated financial statements, the proliferation of COVID-19 has had a negative impact on the global economy, which may have a greater impact than expected credit losses and potential impairment of assets in a particular portfolio, and it could negatively affect the profit generation capability of the Group.

### Other Matters

The consolidated financial statements of the Group for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 5, 2020.

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, 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 Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

March 8, 2021

This report is effective as of March 8, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

## KB Kookmin Card Co., Ltd. and Subsidiaries
**Consolidated Statements of Financial Position**
**December 31, 2020 and 2019**

| *(In millions of Korean won)* | Notes | | December 31, 2020 | December 31, 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and due from financial institutions | 7 | ₩ | 273,086 | 205,683 |
| Financial assets measured at fair value through profit or loss | 10 | | 316,217 | 573,208 |
| Derivative financial assets | 8 | | 1,161 | 18,785 |
| Loans measured at amortized cost | 9 | | 22,511,454 | 21,244,439 |
| Financial investments | 10 | | 64,045 | 76,651 |
| Investments in associates | 11 | | 5,103 | 4,623 |
| Property and equipment | 12 | | 163,949 | 147,163 |
| Intangible assets | 13 | | 238,948 | 188,818 |
| Deferred income tax assets | 14 | | 147,482 | 118,984 |
| Net defined benefit assets | 19 | | - | 946 |
| Other assets | 15 | | 350,199 | 410,816 |
| **Total assets** | | | 24,071,644 | 22,990,116 |
| **Liabilities** | | | | |
| Debts | 16 | | 988,843 | 1,129,151 |
| Derivative financial liabilities | 8 | | 109,383 | 30,982 |
| Debentures | 17 | | 15,874,242 | 14,813,456 |
| Provisions | 18 | | 182,143 | 153,433 |
| Net defined benefit liabilities | 19 | | 6,243 | - |
| Other liabilities | 20 | | 2,629,104 | 2,798,173 |
| **Total liabilities** | | | 19,789,958 | 18,925,195 |
| **Equity** | | | | |
| Share Capital | 21 | | 460,000 | 460,000 |
| Capital surplus | 21 | | 1,976,987 | 1,976,820 |
| Accumulated other comprehensive income | 21 | | 2,544 | 19,058 |
| Retained earnings | 21 | | 1,831,489 | 1,606,831 |
| **Equity attributable to shareholders of the Parent Company** | | | 4,271,020 | 4,062,709 |
| **Non-controlling interests** | | | 10,666 | 2,212 |
| **Total equity** | | | 4,281,686 | 4,064,921 |
| **Total liabilities and equity** | | ₩ | 24,071,644 | 22,990,116 |

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

## KB Kookmin Card Co., Ltd. and Subsidiaries
### Consolidated Statements of Comprehensive Income
### Years Ended December 31, 2020 and 2019

| *(In millions of Korean won)* | Notes | | 2020 | 2019 |
|---|---|---|---|---|
| Interest income | | ₩ | 1,631,597 | 1,581,547 |
| Interest income from financial instruments measured at amortized cost | | | 1,625,973 | 1,570,735 |
| Interest income from financial instruments measured at fair vlue through profit or loss | | | 5,624 | 10,812 |
| Interest expense | | | (365,817) | (350,890) |
| Net interest income | 22 | | 1,265,780 | 1,230,657 |
| Fee and commission income | | | 1,486,545 | 1,406,238 |
| Fee and commission expense | | | (1,085,243) | (1,144,463) |
| Net fee and commission income | 23 | | 401,302 | 261,775 |
| Provision for credit loss allowances | 9 | | (396,376) | (439,765) |
| General and administrative expenses | 27 | | (514,845) | (441,920) |
| Net gains on financial instruments measured at fair value through profit or loss | 24 | | 5,794 | 371 |
| Net other operating expenses | 25 | | (318,125) | (231,767) |
| **Operating profit** | 26 | | 443,530 | 379,351 |
| Share of profit of investments in associates | 11 | | 1,128 | 1,106 |
| Other non-operating income (expense) | 28 | | (6,638) | 3,362 |
| Net non-operating income (expense) | | | (5,510) | 4,468 |
| **Profit before income tax expense** | | | 438,020 | 383,819 |
| Income tax expense | 29 | | (114,027) | (67,262) |
| **Profit for the year** | | | 323,993 | 316,557 |
| **Other comprehensive income (loss)** | | | | |
| Remeasurement of net defined benefit liabilities | 21 | | (7,683) | (3,663) |
| Loss on equity instruments measured at fair value through other comprehensive income | 21 | | (8,995) | (751) |
| Items that will not be reclassified to profit or loss | | | (16,678) | (4,414) |
| Share of other comprehensive loss of the associates | 21 | | (370) | (89) |
| Gain(loss) on cash flow hedging instruments | 21 | | 5,942 | (5,810) |
| Exchange differences on translating foreign operations | 21 | | (5,674) | 14 |
| Items that may be reclassified subsequently to profit or loss | | | (102) | (5,885) |
| **Other comprehensive loss for the year, net of tax** | | | (16,780) | (10,299) |
| **Total comprehensive income for the year** | | | 307,213 | 306,258 |
| **Profit for the year attributable to:** | | | | |
| Shareholders of the Parent Company | | | 324,662 | 316,546 |
| Non-controlling interests | | | (669) | 11 |
| | | | 323,993 | 316,557 |
| **Total comprehensive income for the year attributable to:** | | | | |
| Shareholders of the Parent Company | | | 308,148 | 306,251 |
| Non-controlling interests | | | (935) | 7 |
| | | ₩ | 307,213 | 306,258 |

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

| *(In millions of Korean won)* | | Share Capital | Capital Surplus | Accumulated Other Comprehensive Income | Retained Earnings | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2019** | ₩ | 460,000 | 1,976,820 | 29,353 | 1,490,293 | 2,205 | 3,958,671 |
| **Total Comprehensive income for the year** | | | | | | | |
| Profit for the year | | - | - | - | 316,546 | 11 | 316,557 |
| Remeasurement of net defined benefit liabilities | | - | - | (3,663) | - | - | (3,663) |
| Loss on equity instruments measured at fair value through other comprehensive income | | - | - | (751) | - | - | (751) |
| Share of other comprehensive income of the associates | | - | - | (89) | - | - | (89) |
| Loss on cash flow hedging instruments | | - | - | (5,810) | - | - | (5,810) |
| Exchange differences on translating foreign operations | | - | - | 18 | - | (4) | 14 |
| **Transactions with shareholder of the company** | | | | | | | |
| Dividends | | - | - | - | (200,008) | - | (200,008) |
| **Balance at December 31, 2019** | | 460,000 | 1,976,820 | 19,058 | 1,606,831 | 2,212 | 4,064,921 |
| **Balance at January 1, 2020** | | 460,000 | 1,976,820 | 19,058 | 1,606,831 | 2,212 | 4,064,921 |
| **Total Comprehensive income for the year** | | | | | | | |
| Profit (loss) for the year | | - | - | - | 324,662 | (669) | 323,993 |
| Remeasurement of net defined benefit liabilities | | - | - | (7,683) | - | - | (7,683) |
| Loss on equity instruments measured at fair value through other comprehensive income | | - | - | (8,995) | - | - | (8,995) |
| Share of other comprehensive loss of the associates | | - | - | (370) | - | - | (370) |
| Gain on cash flow hedging instruments | | - | - | 5,942 | - | - | 5,942 |
| Exchange differences on translating foreign operations | | - | - | (5,408) | - | (266) | (5,674) |
| **Transactions with shareholder of the company** | | | | | | | |
| Dividends | | - | - | - | (100,004) | - | (100,004) |
| Changes in non-controlling interests due to business combination | | - | - | - | - | 9,556 | 9,556 |
| Changes in the equity ratio of subsidiaries | | - | 167 | - | - | (167) | - |
| **Balance at December 31, 2020** | ₩ | 460,000 | 1,976,987 | 2,544 | 1,831,489 | 10,666 | 4,281,686 |

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

## KB Kookmin Card Co., Ltd. and Subsidiaries
**Consolidated Statements of Cash Flows**
**Years Ended December 31, 2020 and 2019**

| *(In millions of Korean won)* | Notes | | 2020 | 2019 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit for the year | | ₩ | 323,993 | 316,557 |
| Adjustment for non-cash items | | | | |
| Net losses (gains) on financial instruments measured at fair value through profit or loss | | | (32) | 182 |
| Provision for credit loss allowances | 9 | | 396,376 | 439,765 |
| Share of profit of investments in associates | 11 | | (1,128) | (1,106) |
| Net loss (gain) from derivatives financial instruments | | | 6,664 | (558) |
| Depreciation and amortization | 27 | | 110,402 | 85,586 |
| Other net loss (gain) on property and equipment / intangible assets | | | (729) | 4,739 |
| Post-employment benefits | 27 | | 15,987 | 14,566 |
| Share-based payments | 27 | | 2,571 | 2,449 |
| Net interest income | | | (46,800) | (54,301) |
| Other expenses | | | 163,814 | 117,536 |
| | | | 647,125 | 608,858 |
| Changes in operating assets and liabilities | | | | |
| Financial assets measured at fair value through profit or loss | | | 248,674 | (42,396) |
| Loans measured at amortized cost | | | (1,479,432) | (2,878,520) |
| Deferred income tax assets | | | (24,254) | (7,508) |
| Other assets | | | 23,696 | (9,890) |
| Other liabilities | | | (291,956) | (31,350) |
| | | | (1,523,272) | (2,969,664) |
| **Net cash outflow from operating activities** | | | (552,154) | (2,044,249) |
| **Cash flows from investing activities** | | | | |
| Acquisition of financial instruments measured at fair value through profit or loss | | | (11,569) | (8,149) |
| Disposal of financial instruments measured at fair value through profit or loss | | | 174 | - |
| Acquisition of financial investments | | | - | (3,073) |
| Acquisition of investments in subsidiaries | | | (46,100) | (19,423) |
| Acquisition of property and equipment | | | (45,300) | (25,381) |
| Disposal of property and equipment | | | 745 | 4 |
| Acquisition of intangible assets | | | (51,237) | (106,010) |
| Disposal of intangible assets | | | 140 | 25 |
| Others | | | (8,912) | 571 |
| **Net cash outflow from investing activities** | | | (162,059) | (161,436) |
| **Cash flows from financing activities** | | | | |
| Net increase (decrease) in debts | 16 | | (271,239) | 508,310 |
| Increase in debentures | 17 | | 34,964,873 | 27,521,034 |
| Decrease in debentures | 17 | | (33,861,323) | (25,791,500) |
| Payment of dividend | | | (100,004) | (200,008) |
| Repayment of lease liabilities | 32 | | (14,943) | (13,956) |
| Others | | | - | 446 |
| **Net cash inflow from financing activities** | | | 717,364 | 2,024,326 |
| **Effect of exchange rate changes on cash and cash equivalents** | | | (2,578) | 327 |
| **Net increase (decrease) in cash and cash equivalents** | | | 573 | (181,032) |
| **Cash and cash equivalents at the beginning of the year** | | | 135,284 | 316,316 |
| **Cash and cash equivalents at the end of the year** | 30 | ₩ | 135,857 | 135,284 |

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

## 1. The Group

KB Kookmin Card Co., Ltd. (the “Company”) was spun off from Kookmin Bank on February 28, 2011, to engage in credit card business, and completed its registration on March 2, 2011. The Company additionally registered for installment financing business under the Specialized Credit Finance Business Act on May 26, 2015, in order to meet the demands of cardholders for installment financing and to expand new customer base.

In accordance with Specialized Credit Finance Business Act, the Company offers various financial services such as credit sales, short-term card loan (Cash advances), long-term card loan (Card loans) and installment financing. The Company is wholly owned by KB Financial Group, Inc.

As at December 31, 2020, the Company has approximately 20.4 million credit and check cardholders and 2.7 million merchants, and operates 26 branches.

## 2. Basis of Preparation

### 2.1 Application of Korean IFRS

The KB Kookmin Card Co., Ltd. and its subsidiaries(the “Group”) maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been prepared, restructured and translated into English from the Korean language financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. Management also needs to exercise judgment in applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.4.Critical Accounting Estimates and Assumptions.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS, effective as at December 31, 2020.

2.1.1 New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2020.

*- Amendments to Korean IFRS No.1001 Presentation of Financial Statements and Korean IFRS No.1008 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Materiality*

The amendments clarify the explanation of the definition of materiality. The feature of information users needs to be considered when the Group determines the information to be disclosed and the effects of immaterial information as well as omission or misstatement of material information when determining materiality. The amendment does not have a significant impact on the financial statements.

*- Amendments to Korean IFRS No.1103 Business Combination – Definition of a Business*

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and the definition of output excludes the returns in the form of lower costs and other economic benefits. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments do not have a significant impact on the financial statements.

*- Amendments to Korean IFRS No. 1109 Financial Instruments, No. 1107 Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

The amendments allow to apply the exceptions in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. In the hedging relationship, an entity shall assume that the interest rate benchmark on which the hedge cash flows are based is not altered as a result of interest rate benchmark reform when determining whether a forecast transaction is highly probable and prospectively assessing hedging effectiveness. For a hedge of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement that the risk component shall be separately identifiable only at the inception of the hedging relationship. The application of this exception is ceased either when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedge item, or when the hedging relationship that the hedge item is part of is discontinued. The Group early adopted the amendments since 2019 as the amendments allow the early adoption. The significant benchmark interest rate indicators for the hedge relationship are LIBOR, CD; the hedge accounting in Note 8 directly affected by these amendments.

2.1.2 New standards and interpretations not yet adopted by the Group

- *Amendments to Korean IFRS No. 1116 Leases – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension*

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. These amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

### 2.2 Measurement Basis

The consolidated financial statements have been prepared under the historical cost convention unless otherwise specified.

### 2.3 Functional and Presentation Currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (“the functional currency”). The consolidated financial statements are presented in Korean won.

### 2.4 Critical Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the application of accounting policies, certain critical accounting estimates and assumptions that may have a significant impact on assets (liabilities) and income (expenses). Management’s estimates of outcome may differ from actual outcomes if management’s estimates and assumptions based on management’s best judgement at the reporting date are different from 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.

Uncertainty in estimates and assumptions with significant risk that may result in material adjustment to the consolidated financial statements are as follows:

2.4.1 Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments, increase in wages, and others in accordance with the Tax System for Promotion of Investment and Collaborative Cooperation (Recirculation of Corporate Income), the Group is liable to pay additional income tax calculated based on the tax laws for a certain period. Accordingly, the measurement of current and deferred income tax is affected by the tax effects. As the Group’s income tax is dependent on the investments, increase in wages, and others, there exists uncertainty with regard to measuring the final tax effects.

2.4.2 Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available is determined by using valuation techniques. Financial instruments, which are not actively traded in the market and those with less transparent market prices, will have less objective fair values and require broad judgment on liquidity, concentration, uncertainty in market factors and assumptions in price determination and other risks.

As described in the significant accounting policies in Note 3.3, 'Financial assets', diverse valuation techniques are used to determine the fair value of financial instruments, from generally accepted market valuation models to internally developed valuation models that incorporate various types of assumptions and variables.

2.4.3 Provisions for credit losses (allowances for loan losses, provisions for unused loan commitments)

The Group tests impairment and recognizes allowances for losses on loans measured at amortized cost and recognizes provisions for unused loan commitments. Accuracy of provisions for credit losses is dependent upon estimation of expected cash flows of the borrower for individually assessed allowances of loans, and upon assumptions and methodology used for collectively assessed allowances for groups of loans, guarantees and unused loan commitments.

2.4.4 Net defined benefit liabilities

The present value of defined benefit liability is calculated using the projected unit credit method by independent actuaries and is determined by actuarial assumptions and variables such as wage increase, retirement rate, and discount rate.

2.4.5 Goodwill

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations to test whether goodwill has suffered any impairment (Note 13).

2.4.6 Leases

In determining the lease term, management considers all relevant facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in buildings and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

## 3. Significant Accounting Policies

The Group prepares consolidated financial statements in accordance with Korean IFRS No. 1110 Consolidated Financial Statements. Significant accounting policies applied by the Group in preparation of its consolidated financial statements are described below. The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

### 3.1 Subsidiaries and Associates

3.1.1 Subsidiaries

Subsidiaries are companies that are controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date when control is transferred to the Group and de-consolidated from the date when control is lost.

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to make the subsidiary's accounting policies conform to those of the Group when the subsidiary's financial statements are used by the Group in preparing the consolidated financial statements.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, if any. Total comprehensive income is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a negative balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with the owners exercising their entitlement. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. Amounts previously recognized in other comprehensive income are reclassified to profit or loss.

3.1.2 Associates

Associates are entities over which the Group has significant influence in the financial and operating policy decisions. Generally, if the Group holds 20% or more of the voting power of the investee, it is presumed that the Group has significant influence.

Under the equity method, investments in associates are initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investee and changes in the investee's equity after the date of acquisition. The Group's share of the profit or loss of the investee is recognized in the Group's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Unrealized gains and losses resulting from transactions between the Group and associates are eliminated to the extent of the Group's share in associates. If unrealized losses are indication of an impairment loss that which should be recognized in the consolidated financial statements, those losses are recognized for the period.

If associates use accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying equity method.

After the carrying amount of the investment 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 investee.

The Group determines at each reporting period whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount as 'non-operating income(expense)' in the statements 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 to the structured entities in which the Group has interests, it considers factors such as the purpose, the form, the substantive ability to direct the relevant activities of a structured entity, the nature of its relationship with a structured entity and the amount of exposure to variable returns.

3.1.4 Elimination of intragroup transactions

Intragroup balances, income, expenses and any unrealized gains and losses resulting from intragroup transactions are eliminated in full, in preparing the consolidated financial statements. If unrealized losses are indication of an impairment loss which should be recognized in the consolidated financial statements, those losses are recognized for the period.

### 3.2 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 3.3 Financial Assets

(a) Classification

For financial reporting purpose, the Group classifies financial assets as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, or financial assets measured at amortized cost. The classification depends on the nature and holding purpose of the financial instrument at initial recognition in the consolidated financial statements.

1) Financial assets measured at fair value through profit or loss

Financial assets held for trading, financial assets designated by the Group to be measured fair value through profit or loss upon initial recognition, and financial assets that are required to be mandatorily measured at fair value through profit or loss are classified as financial assets measured at fair value through profit or loss.

The Group may designate certain financial assets upon initial recognition as measured 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 measured at fair value through profit or loss is measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. Interest income and dividend income from financial assets measured at fair value through profit or loss are also recognized in profit or loss.

2) Financial assets measured at fair value through other comprehensive income

The Group classifies below financial assets as financial assets measured 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 measured at fair value through other comprehensive income is measured at fair value. Gain and loss from changes in fair value, other than dividend income and interest income amortized using effective interest method and exchange differences arising on monetary items which are recognized directly in income as interest income or expense, are recognized as other comprehensive income in equity.

At disposal of financial assets measured at fair value through other comprehensive income, cumulative gain or loss is recognized as profit or loss for the reporting period. However, cumulative gain or loss of equity instrument designated as fair value through other comprehensive income are not reclassified to profit or loss at disposal.

The fair value of financial assets measured at fair value through other comprehensive income denominated in foreign currencies 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 as equity.

3) Financial assets measured 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 recognized using the effective interest method.

(b) Recognition and Measurement

The Group recognizes a financial asset in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets (a purchase or sale of a financial asset under a contract whose terms require delivery of the financial instruments within the time frame established generally by market regulation or practice) is recognized and derecognized using trade date accounting.

At initial recognition, a financial asset is measured at its fair value plus or minus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. The fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of a financial asset 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.

After initial recognition, financial assets are subsequently measured at amortized cost or fair value based on classification at initial recognition.

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 on initial recognition after below adjustments:

- 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
- minus any reduction (directly or through the use of an allowance account) due to impairment or write-off

*2) Fair value*

The Group uses quoted price in active market which is based on listed market price or dealer price quotations of financial instruments traded in active market as best estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity in the same industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Group uses valuation models that are commonly used by market participants and customized for the Group to determine fair values of common over-the-counter (OTC) derivatives such as options, interest rate swaps and currency swaps which are based on the inputs observable in markets. For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally used within the industry, or a value measured by an independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not market observable and therefore it is necessary to estimate fair value based on certain assumptions.

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
Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g. price) or indirectly (e.g. derived from the price)
Level 3 : inputs to assets or liabilities not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

If the valuation technique does not reflect all factors which market participants would consider in setting a price, the fair value is adjusted to reflect those factors. Those factors include counterparty credit risk, bid-ask spread, liquidity risk and others.

The 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 setting a price and is consistent with economic methodologies applied for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests its validity using prices of observable current market transactions of the same instrument or based on other relevant observable market data.

(c) Expected Credit Loss of Financial Assets (Debt Instruments)

The Group measures expected credit loss and recognizes loss allowance at the end of the reporting period for financial assets measured at amortized cost and fair value through other comprehensive income with the exception of financial asset measured at fair value through profit or loss.

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Group measures expected credit losses by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions.

The Group uses the following three measurement techniques in accordance with Korean IFRS:

- General approach: for financial assets and off-balance-sheet unused credit line that are not applied below two approaches
- Simplified approach: contract assets and lease receivables
- 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. 12-month expected credit losses is recognized when credit risk has not significantly increased since initial recognition. A loss allowance at an amount equal to lifetime expected credit losses is recognized when credit risk has significantly increased since initial recognition. Lifetime is presumed to be a period to the contractual maturity date of a financial asset (the expected life of the financial asset).

The Group assesses whether the credit risk has increased significantly using the following information, and if one or more of the following conditions are met, it is deemed as significant increase in credit risk. When the contractual cash flows of a financial asset are renegotiated or otherwise modified, the Group determines whether the credit risk has increased significantly using the following information.

- Past due for a certain period
- Decline in credit ratings at period end by more than certain notches as compared to that at initial recognition
- Decline in credit ratings below certain level at period end
- Customer that has revolving asset with limit utilization ratio over certain level or revolving cash advances assets
- Customer who have transaction suspension history due to certain conditions during recent period

Under simplified approach, the Group always measure the loss allowance at an amount equal to lifetime expected credit losses. Under credit-impaired approach, the Group only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance.

The Group generally deems one or more of the following items credit-impaired:

- Past due for 90 days or more
- Legal proceedings related to collection
- A borrower registered on the credit management list of Korea Federation of banks
- Refinancing
- Debt restructuring, etc.

1) Forward-looking information

The Group takes account of the economic fluctuation factors measured and estimated as at December 31, 2020 to incorporate the forward-looking information for Expected Credit Losses measurement. The economic fluctuation factors are calculated by KB Financial Group Research Institute by considering comprehensive information such as business plan scenarios and external agencies' forecast.

The Probability of Default ("PD") used to measure expected credit losses has a certain level of correlation with the economic fluctuation and the Group estimates the expected credit losses by reflecting forward-looking information in the PD through correlation modelling between macroeconomic variables and PD.

The Group has performed analysis on historical data to identify the key macroeconomic variables required for estimation of credit risk. Based on the historical data, the correlation between the key macroeconomic variables and the credit risk is derived as follows:

| Key macroeconomic variables | Correlation between the major macroeconomic variables and the credit risk |
|---|---|
| Construction investment growth rate | (-) |
| Housing transaction price index increase rate | (-) |
| Corporate bonds (BBB-, 3 years) interest rate (average) | (+) |
| Housing transaction price index (Capital region) increase rate | (-) |
| Household loan change rate | (-) |
| Corporate bonds (AA-, 3 years) interest rate (average) | (+) |
| Composite stock index increase rate | (-) |
| Unemployment rate | (+) |
| Interest rate spread (Corporate bonds AA-, Treasury bonds) | (+) |
| Base rate (Year-end) | (+) |

In order to minimize the uncertainties in estimating the expected credit losses, the Group regularly receives verification of the model incorporated with forward-looking information from KB Financial Group model verification unit.

2) Measuring expected credit losses on financial assets at amortized cost

The expected credit losses of financial assets at amortized cost are measured as present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive. The Group estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

For financial assets that are not individually significant, the Group collectively estimates expected credit loss by grouping loans with homogeneous credit risk characteristics (collective assessment of impairment).

*- Individual assessment of impairment*

Individual assessment of impairment losses are calculated using management's best estimate on present value of expected future cash flows. The Group uses all the available information including operating cash flow of the counterparty and net realizable value of any collateral held.

*- Collective assessment of impairment*

Collective assessment of impairment losses is performed by using a methodology based on historical loss experience and reflecting forward-looking information. Such process incorporates factors such as type of collateral, product and borrowers, credit rating, size of portfolio and recovery period and applies probability of default ("PD") on the basis of group of asses and loss given default ("LGD") by type of recovery method. Also, the expected credit loss model involves certain assumption to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce gap between loss estimate and actual loss experience.

Lifetime expected credit loss as at the end of the reporting period is calculated by product of carrying amount net of expected repayment, PD for each period and LGD adjusted by change in carrying amount.

3) Measuring expected credit losses on financial assets measured at fair value through other comprehensive income

Measuring method of expected credit losses on financial assets measured at fair value through other comprehensive income is equal to the method of financial assets measured at amortized cost except that the loss allowance is recognized in other comprehensive income. Upon disposal or repayment of financial assets at fair value through other comprehensive income, the amount of the loss allowance is reclassified from other comprehensive income to profit or loss.

(d) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be legally enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(e) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or the financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets are also transferred, or all the risks and rewards of ownership of the financial assets are neither substantially transferred nor retained and the Group has not retained control. If the Group neither transfers nor disposes of substantially all the risks and rewards of ownership of the financial assets, the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

If the Group transfers the contractual rights to receive the cash flows of the financial asset, but retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

The Group writes off financial assets in its entirety or to a portion thereof when the principal and interest on the principal amount outstanding are determined to be no longer recoverable. In general, the Group considers write-off if significant financial difficulties of the debtor, or delinquency in interest or principal payments is indicated. The write-off decision is made in accordance with internal regulations. After the write-off, the Group can collect the written-off loans continuously according to the internal policy. If a previously impaired financial asset has been recovered, the amount recovered is recognized in profit or loss.

### 3.4 Financial Liabilities

The Group classifies financial liabilities into financial liabilities measured 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.

(a) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities measured at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

In addition, for the amount of change in the fair value of the financial liability designated to be measured at fair value through profit or loss that is attributable to changes in the credit risk of that liability, the Group present this change in other comprehensive income, and does not reclass this other comprehensive income to profit or loss, subsequently. When this treatment creates or enlarges an accounting mismatch, the Group recognizes this change as profit or loss for the year.

(b) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities measured at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities include debts, debentures and others. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position only when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(c) Insurance Contracts

Insurance contracts are defined as “a contract under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder”. A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. The Group recognizes assets (liabilities) and gains (losses) relating to insurance contracts as other assets (liabilities) in the consolidated statements of financial position, and as other operating incomes (expenses) in the consolidated statements of comprehensive income, respectively

The Group recognizes a liability for future claims and related expenses as follows:

*(a) Reserve for outstanding claims*

Reserve for outstanding claims refers to the amount not yet paid, out of an amount to be paid or expected to be paid with respect to the insured events which have arisen as at the end of each fiscal year.

*(b) Unearned premium reserve*

Unearned premium refers to the portion of the premium that has been paid in advance for insurance that has not yet been provided.

**3.5 Derivative Financial Instruments**

The interest rate risk arises from cash flow fluctuation due to changes in the interest rate of financial instruments in floating interest rate. The currency rate arises from the financial instruments presented in different currency with the Group's functional currency. The Group enters into derivative financial instrument contracts such as interest rate swaps, to manage its exposures to fluctuations in interest rates and others. These derivative financial instruments are presented as derivative financial instruments within the financial statements irrespective of transaction purpose and subsequent measurement requirement.

The Group hedges the entire hedged item for interest rate risk and exchange rate risk.

The Group designates derivatives as hedging instruments to hedge the risk of changes in cash flow (cash flow hedge) of a recognized asset or liability. The Group establishes a hedging relationship between the hedging instrument and the hedged item’s nominal amount in a 1:1 ratio.

The group assesses the hedge effectiveness at the designation of the hedge and confirms that an economic relationship exists between the hedged item and the hedging instrument by assessing the hedge effectiveness periodically. An economic relationship exists means that the hedging instrument and the hedged item have values that generally move in the opposite direction because of the same risk, which is the hedged risk. The Group establishes a hedging relationship between the exposure of hedged item and the hedging instrument in the opposite direction to qualify for the requirement that an economic relationship exists.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk.

The hedge ineffectiveness may arise from differences in the underlying variables (such as acquisition date, credit risk, or liquidity) between the hedging instrument and the hedged item that an entity accepts to achieve an effective hedging relationship with cost.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. The associated gains or losses that were previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affects profit or loss. Cash flow hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. When the cash flow hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that have been recognized in other comprehensive income are reclassified to profit or loss over the year in which the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gains or losses that had been recognized in other comprehensive income are immediately reclassified to profit or loss.

## 3.6 Property and Equipment

### 3.6.1 Recognition and Measurement

All property and equipment are initially recognized at cost and subsequently stated at cost less accumulated depreciation and accumulated impairment loss.

The cost of property and equipment includes costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the estimated costs of dismantling, removing, or restoring the related assets such as leasehold improvements.

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.

### 3.6.2 Depreciation

Land is not depreciated, whereas other property and equipment are depreciated using the method that reflects the pattern in which the asset’s future economic benefits are expected to be consumed by the Group. The depreciable amount of an asset is determined after deducting its residual value.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation methods and estimated useful lives of the assets are as follows:

| Property and equipment | Depreciation method | Estimated useful lives |
|---|---|---|
| Buildings | Straight-line | 40 years |
| Leasehold improvements | Declining-balance | 4 years |
| Equipment and furniture | Declining-balance | 4 years |
| Right-of-use asset | Straight-line<br>Declining-balance | 1~20 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 differences are accounted for as a change in an accounting estimate.

### 3.7 Intangible Assets

All intangible assets are initially recognized at cost and subsequently stated at the cost less accumulated amortization and accumulated impairment losses. Intangible assets, except for goodwill, membership rights and brands, are amortized using the straight-line method with no residual value over the following estimated useful economic lives since the asset is available for uses:

| Intangible assets | Amortization method | Estimated useful lives |
|---|---|---|
| Industrial property rights | Straight-line | 3~10 years |
| Software | Straight-line | 3~5 years |
| Others | Straight-line | 4~10 years |
| Right-of-use asset | Straight-line | 5 years |

The amortization period and the amortization method of intangible assets with a finite useful life are reviewed at each financial year-end. Intangible assets with an indefinite useful life are reviewed at each financial year-end to determine whether events and circumstances continue to support an indefinite useful life assessment. If there is any change, it is accounted for as a change in an accounting estimate.

Subsequent expenditures are only capitalized when it enhances the future economic benefits. Other expenditures including internally generated intangible assets, such as goodwill and trade name, are immediately recognized as expense as incurred.

(a) Goodwill

*-Recognition and measurement*

Goodwill acquired from business combinations is initially measured as the excess of the aggregate of the consideration transferred, fair value of non-controlling interest and the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized in profit or loss.

For each business combination, the Group decides whether the non-controlling interest in the acquiree is initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets at the acquisition date.

Acquisition-related costs incurred to effect a business combination are charged to expenses in the periods in which the costs are incurred and the services are received, except for the costs to issue debt or equity securities.

*-Additional acquisitions of non-controlling interest*

Additional acquisitions of non-controlling interests are accounted for as equity transactions. Therefore, no additional goodwill is recognized.

*-Subsequent measurement*

Goodwill is not amortized and is stated at cost less accumulated impairment losses. However, goodwill that forms part of the carrying amount of an investment in associates is not separately recognized and an impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment in the associates.

**3.8 Leases**

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

At inception of a contract, the Group is required to assess whether the contract is, or contains, a lease. Also, at the date of initial application, the Group has assessed whether the contracts held are, or contain, a lease in accordance with the standard. However, the Group did not reassess all contracts as the Group elected to apply the practical expedient to contracts that were not previously identified to contain a lease. On the basis of the date of initial application, the Group assesses whether the contract is, or contains, a lease.

For a contract that is, or contains, a lease, lessees and lessors account for each lease component within the contract as a lease separately from non-lease components of the contract. As a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. The Group applies the practical expedient and has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

A lessee is required to recognize a right-of-use asset (lease assets) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs (incurred by the lessee)
- An estimate of restoration costs

However, short-term lease (lease that, at the commencement date, has a lease term of 12 months or less) and lease of low-value assets (or example, underlying leased asset under $ 5,000) are permitted to elect exceptional conditions.

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.

Related to sale and leaseback, the Group (seller-lessee) is required to applying 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. However, the Group has not reassessed sale and leaseback transactions entered into before the date of initial application

The Group includes options for extension and termination in many lease contracts. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. However, as the IFRS Interpretations Committee (IFRIC) published an interpretation on "The lease terms and the useful life of the lease improved assets", the Group is considering application.

### 3.9 Impairment of Non-financial Assets

The Group assesses at the end of each reporting period whether there is any indication that a non-financial asset, except for (i) deferred income tax assets, (ii) assets arising from employee benefits may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. However, irrespective of whether there is any indication of impairment, the Group tests (i) goodwill acquired in a business combination, (ii) intangible assets with an indefinite useful life and (iii) intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount.

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit that are discounted by a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If, and only 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.

An impairment of 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.

### 3.10 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.

In reaching the best estimate of a provision, the risks and uncertainties that inevitably surround many events and circumstances is taken into account and where the effect of the time value of money is material, the amount of a provision are measured at the present value of the expenditures expected to be required to settle the obligation. Provisions for unused loan commitments are recognized using valuation model that applies credit conversion factor, probability of default, and loss given default.

Provisions are reviewed at 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.

When an onerous contract is incurred, related present obligation is recognized and measured as provisions. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the 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 the failure to fulfill it.

### 3.11 Employee Benefits

3.11.1 Post-employment benefits

**Defined benefit plans**

All post-employment benefits, other than defined contribution plans, are classified as defined benefit plans. The amount recognized as a net defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses including experience adjustments and the effects of changes in actuarial assumptions are recognized in other comprehensive income (loss).

When the total of the present value of the defined benefit obligation minus the fair value of plan assets results in an asset, it is recognized to the extent of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Past service cost is the change in the present value of the defined benefit obligation, which arises when the Group introduces a defined benefit plan or changes the benefits of an existing defined benefit plan. Such past service cost is immediately recognized as an expense for the year.

**Defined contribution plans**

As the Group implements the defined contribution plans, the Group recognizes the contribution to be paid as expense for the period as a subject of post-employment benefit.

3.11.2 Short-term Employee Benefits

Short-term employee benefits that are due to be settled within twelve months after the end of the fiscal period in which the employees render the related service, are recognized as profits or loss when an employee has provided service for the amount expected to be paid in exchange for service. Short-term employee benefits are measured on an undiscounted basis.

The expected cost of profit-sharing and bonus payments are recognized as liabilities when the Group has legal or constructive obligation for payment as a result of past service rendered by employees and a reliable estimate of the obligation can be made.

3.11.3 Share-based Payment

For cash-settled share-based payments granted to executives, the liability for services received is measured at fair value, and are recognized as share-based payment expenses and accrued expenses during the vesting period. In addition, until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the final settlement date and the changes in fair value are recognized as share-based payment expenses in profit or loss.

3.11.4 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of Korean IFRS No. 1037 and involves the payment of terminations benefits.

**3.12 Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or the exercise of stock options are deducted, net of tax, from the equity.

**3.13 Income Tax Expense**

The income tax expense consists of current tax and deferred tax. Income tax is recognized in the profit and loss, except to the extent that the tax arises from a transaction or event which is recognized in other comprehensive income or directly in equity.

3.13.1 Current Income Tax

Current income tax is calculated on the basis of taxable profits for the reporting period. There is a difference between taxable profits and accounting profit in the statement of income as taxable profits excludes profit or loss added or deducted in other periods and non-taxable or deductible items. Income tax payable, related to current income tax, is measured using the tax rates that have been enacted or substantively enacted.

The Group offsets current tax assets and current tax liabilities when the Group has a legally enforceable right to set off the recognized amount and intends to settle on a net basis.

3.13.2 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 amounts in the financial statements.

Deferred income tax liabilities are recognized for all taxable temporary differences, and deferred income tax assets are recognized when it is probable that the deductible temporary differences are reversed in the foreseeable future and future taxable profit will be available against which the deductible temporary differences 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 initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The carrying amount of a deferred income tax asset is reviewed at each reporting period and the carrying amount of a deferred tax asset is reduced when future taxable profit is no longer available against the deferred income tax assets to be utilized. Reduced carrying amount of deferred income tax asset is reversed to the extent that it becomes probable that sufficient taxable profit will be available. The Group reassesses unrecognized deferred income tax assets at the end of each reporting period. The Group recognizes a previously unrecognized deferred income tax asset to the extent that it has become probable that future taxable profit will be available against which the deferred tax asset can be recovered.

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 when 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.

3.13.3 Uncertain Tax Positions

Uncertain tax positions arise from tax treatments applied by the Group which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, a claim for rectification brought by the Group, or an appeal for a refund claimed from the tax authorities related to the additional assessments. The Group recognizes its uncertain tax positions in the consolidated financial statements in accordance with Korean IFRS No.1012, *Income Taxes*.
The income tax asset is recognized if a tax refund is probable for taxes paid due to uncertain tax positions and if improbable, the income tax expenses are recognized. However, additional tax and additional dues on tax refund are recognized in accordance with Korean IFRS No.1037 *Provisions, Contingent Liabilities and Contingent Assets*.

### 3.14 Revenue Recognition

The Group recognizes revenues in accordance with the following revenue recognition standard:

- 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 Group satisfies a performance obligation.

3.14.1 Interest income

Interest income from financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income are recognized in statements of comprehensive Income using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid(main components of effective interest rates only) or received between parties to the contract, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instruments, the Group uses the contractual cash flows over the full contractual term of the financial instruments.

Interest income from impaired financial assets or group of financial assets is recognized using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income from debt instruments measured at fair value through profit or loss is also recognized as interest income in statements of comprehensive income.

3.14.2 Fee and commission income

The Group recognizes financial service fees in accordance with the accounting standard of the financial instrument related to the fees earned.

*- Fees that are an integral part of the effective interest of a financial instrument*

Such fees are generally treated as adjustments of effective interest. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, preparing and processing documents and origination fees received on issuing financial liabilities measured at amortized cost. However, fees relating to the creation or acquisition of a financial instrument measured at fair value through profit or loss are recognized as revenue immediately.

*- Fees vested by providing services*

Such fees are recognized as revenue as the services are provided.

*- Fees vested by performing a significant act*

Such fees are recognized as revenue when a significant act is performed.

3.14.3 Net gains (losses) on financial instruments measured at fair value through profit or loss

Net gains (losses) on financial instruments measured at fair value through profit or loss include gains or losses (including changes in fair value, dividends, and gain and loss from transactions and repayments) from following financial instruments:

- Gain or loss from financial instruments measured at fair value through profit or loss
- Gain or loss from derivatives for trading (including derivatives for hedging that do not qualify for the requirements for hedge accounting)

3.14.4 Dividend income

Dividend income is recognized as revenue when the right to receive payment is established. Dividend income is recognized as relevant items on statements of comprehensive income in accordance with the classification of equity securities.

**3.15 Operating Segments**

The Group identifies its operating segments based on internal reports which are regularly reviewed by management including the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. The Group has a single reportable segment. Accordingly, information about segment assets, liabilities and profit or loss is not disclosed.

**3.16 Assessment of Expected Credit Losses on Financial Instruments Related to COVID-19**

The proliferation of COVID-19 in 2020 negatively affected the global economy, despite of various forms of government support policy. Compared to the macroeconomic forecast at the end of 2019, there was a significant change in forward-looking information affecting the expected credit losses during the 12 months ended December 31, 2020. 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.

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 policy.

## 4. Financial Risk Management

### 4.1 Risk Management Policies

The risks that the Group is exposed to are credit risk, market risk, liquidity risk, and others. The note regarding financial risk management provides information about the risks that the Group is exposed to, the objective, policies and process for managing the risk, and the methods used to measure the risk.

### 4.2 Risk Management System

As an ultimate decision-making authority, the Risk Management Committee determines and approves risk management policies and strategies in accordance with the directives of the Board of Directors in order to recognize, measure, monitor and control risk arising from transactions of the Group. The Committee holds and runs the Risk Management Council as affiliated organization consists of managers to effectively conduct such process.

The Group recognizes the risks that may arise throughout the credit card business cycle of 'recruitment, customer retention and loss management'. In order to manage each risk, the Group formulates risk management policies by establishing credit portfolio guidelines, establishing asset and liability management standards, and restoring delegation criteria for collection of bad debts. The Group also sets a limit for each risk as well as whole risk, and regularly monitors whether the risk is managed within the limits.

### 4.3 Credit Risk

4.3.1 Overview of Credit Risk

Credit risk is the risk of financial loss that the customer or a counterparty will not be able to fulfill its contractual obligations. In principle, the risk arises from the loans measured at amortized cost or securities. The Group considers all factors that are exposed to credit risk such as the each borrower's default or contractual default. The Group defines default as the definition applied to the calculation of Capital Adequacy Ratio under the new Basel Accord.

4.3.2 Credit Risk Management

The Group sets the Risk Management Division that focuses on credit risk management in order to systematically manage credit risk. The Risk Management Division is responsible for measuring and limiting economic capital of credit risk, monitoring portfolios and managing credit valuation models and others.

- The Group sets goals of the expected loss and economic capital that are subject to major indicator of credit risk and monitors them and reports to the Risk Management Committee.
- The Group also monitors each asset quality, such as the ratio of loans past due over one month and on time repayment rate of credit card, and sets tolerance level in its business plan and manages within the limit of the same level as a credit risk management.
- To cope with economic depressions, the Group reserves allowances for loans losses and calculates expected losses using the average long-term probability of default.

4.3.3 Maximum Exposure to Credit Risk

The Group's maximum exposure to credit risk regarding financial instruments, excluding equity securities, without considering the value of collaterals as at December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won)* | | Dec. 31, 2020 |
|---|---|---|
| Cash and due from financial institutions[1] | ₩ | 271,401 |
| Financial assets measured at fair value through profit or loss | | |
| Due from financial institutions | | 10,011 |
| Short-term financial instruments(interest bearing) | | 285,382 |
| Short-term financial instruments(non-interest bearing) | | - |
| Debt securities | | 17,556 |
| Derivatives | | 1,161 |
| Loans measured at amortized cost[1] | | 22,511,454 |
| Financial investments | | |
| Securities measured at amortized cost[1] | | 2,869 |
| Other financial assets[1] | | 321,823 |
| Loan commitments | | 65,601,262 |
| | ₩ | 89,022,919 |

| *(In millions of Korean won)* | | Dec. 31, 2019 |
|---|---|---|
| Cash and due from financial institutions[1] | ₩ | 205,659 |
| Financial assets measured at fair value through profit or loss | | |
| Due from financial institutions | | 30,014 |
| Short-term financial instruments(interest bearing) | | 503,663 |
| Short-term financial instruments(non-interest bearing) | | 30,000 |
| Debt securities | | 7,631 |
| Derivatives | | 18,785 |
| Loans measured at amortized cost[1] | | 21,244,439 |
| Financial investments | | |
| Securities measured at amortized cost[1] | | 3,068 |
| Other financial assets[1] | | 354,945 |
| Loan commitments | | 60,981,908 |
| | ₩ | 83,380,112 |

[1] After netting of loss allowance

4.3.4 Credit Risk of Loans Measured at Amortized Cost

The Group maintains credit loss allowance associated with credit risk on loans measured at amortized cost to manage its credit risk.

The Group assesses expected credit loss on financial asset measured at amortized cost and financial asset measured at fair value through other comprehensive income except financial asset measured at fair value through profit or loss, and recognizes credit loss allowance. Expected credit losses are a probability-weighted estimate of possible credit losses within certain range of period by reflecting time value of money, reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions. The Group measures the expected credit losses for loans measured at amortized cost, and presents it as 'credit loss allowance' account netting from the related carrying amounts.

4.3.4.1 Exposure to Credit Risk

Credit quality of loans measured at amortized cost as at December 31, 2020 and 2019, is as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired [1] | |
| Loans measured at amortized cost | | | | |
| Credit card assets | | | | |
| Grade 1 | ₩ 8,243,356 | ₩ 412,555 | ₩ - | ₩ 8,655,911 |
| Grade 2 | 5,794,573 | 708,405 | - | 6,502,978 |
| Grade 3 | 1,524,916 | 1,216,434 | - | 2,741,350 |
| Grade 4 | 16,978 | 247,241 | - | 264,219 |
| Grade 5 | 2,101 | 118,906 | 484,022 | 605,029 |
| Subtotal | 15,581,924 | 2,703,541 | 484,022 | 18,769,487 |
| Credit loss allowance | (205,096) | (234,219) | (259,095) | (698,410) |
| Factoring receivables | | | | |
| Grade 1 | - | - | - | - |
| Grade 2 | - | - | - | - |
| Grade 3 | - | - | - | - |
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | 107 | 107 |
| Subtotal | - | - | 107 | 107 |
| Credit loss allowance | - | - | (37) | (37) |
| General loans | | | | |
| Grade 1 | 232,233 | 11,175 | - | 243,408 |
| Grade 2 | 239,419 | 13,244 | - | 252,663 |
| Grade 3 | 54,874 | 20,377 | - | 75,251 |
| Grade 4 | 514 | 5,268 | - | 5,782 |
| Grade 5 | - | 3,769 | 8,511 | 12,280 |
| Subtotal | 527,040 | 53,833 | 8,511 | 589,384 |
| Credit loss allowance | (15,202) | (6,534) | (4,912) | (26,648) |
| Installment financing assets | | | | |
| Grade 1 | 2,993,962 | 74,160 | - | 3,068,122 |
| Grade 2 | 368,000 | 197,506 | - | 565,506 |
| Grade 3 | 282 | 107 | - | 389 |
| Grade 4 | 16 | - | - | 16 |
| Grade 5 | 179 | 6,491 | 19,143 | 25,813 |
| Subtotal | 3,362,439 | 278,264 | 19,143 | 3,659,846 |
| Credit loss allowance | (14,030) | (13,281) | (14,572) | (41,883) |
| Privately placed bonds | | | | |
| Grade 1 | - | - | - | - |
| Grade 2 | - | - | - | - |
| Grade 3 | - | - | - | - |
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | - | - |
| Subtotal | - | - | - | - |
| Credit loss allowance | - | - | - | - |

| | | | | |
|---|---|---|---|---|
| Lease receivables | | | | |
| Grade 1 | 113,898 | 120,236 | - | 234,134 |
| Grade 2 | 274 | 22,008 | - | 22,282 |
| Grade 3 | 40 | 4,492 | - | 4,532 |
| Grade 4 | - | 7 | - | 7 |
| Grade 5 | - | 3 | 2 | 5 |
| Subtotal | 114,212 | 146,746 | 2 | 260,960 |
| Credit loss allowance | (110) | (1,240) | (2) | (1,352) |
| Total | ₩ 19,351,177 | ₩ 2,927,110 | ₩ 233,167 | ₩ 22,511,454 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired [1] | |
| Loans measured at amortized cost | | | | |
| Credit card assets | | | | |
| Grade 1 | ₩ 8,428,948 | ₩ 96,051 | ₩ - | ₩ 8,524,999 |
| Grade 2 | 5,696,184 | 718,858 | - | 6,415,042 |
| Grade 3 | 1,558,804 | 1,161,591 | - | 2,720,395 |
| Grade 4 | 26,391 | 390,954 | - | 417,345 |
| Grade 5 | 349 | 135,630 | 474,327 | 610,306 |
| Subtotal | 15,710,676 | 2,503,084 | 474,327 | 18,688,087 |
| Credit loss allowance | (209,660) | (266,181) | (263,877) | (739,718) |
| Factoring receivables | | | | |
| Grade 1 | - | - | - | - |
| Grade 2 | - | - | - | - |
| Grade 3 | - | - | - | - |
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | 120 | 120 |
| Subtotal | - | - | 120 | 120 |
| Credit loss allowance | - | - | (41) | (41) |
| General loans | | | | |
| Grade 1 | 45,194 | 914 | - | 46,108 |
| Grade 2 | 43,106 | 1,845 | - | 44,951 |
| Grade 3 | 166,318 | 23,188 | - | 189,506 |
| Grade 4 | 1,674 | 4,356 | - | 6,030 |
| Grade 5 | 314 | 8,501 | 6,658 | 15,473 |
| Subtotal | 256,606 | 38,804 | 6,658 | 302,068 |
| Credit loss allowance | (12,125) | (5,991) | (4,194) | (22,310) |
| Installment financing assets | | | | |
| Grade 1 | 2,369,437 | 34,921 | - | 2,404,358 |
| Grade 2 | 263,635 | 101,375 | - | 365,010 |
| Grade 3 | 11,016 | 57,735 | - | 68,751 |
| Grade 4 | 354 | - | - | 354 |
| Grade 5 | - | 6,195 | 12,845 | 19,040 |
| Subtotal | 2,644,442 | 200,226 | 12,845 | 2,857,513 |
| Credit loss allowance | (6,932) | (8,374) | (9,861) | (25,167) |
| Privately placed bonds | | | | |
| Grade 1 | - | - | - | - |
| Grade 2 | - | - | - | - |
| Grade 3 | 14,472 | - | - | 14,472 |
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | - | - |

| | | | | |
|---|---|---|---|---|
| Subtotal | 14,472 | - | - | 14,472 |
| Credit loss allowance | (948) | - | - | (948) |
| Lease receivables | | | | |
| Grade 1 | 163,845 | - | - | 163,845 |
| Grade 2 | 2,376 | 4,495 | - | 6,871 |
| Grade 3 | - | - | - | - |
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | - | - |
| Subtotal | 166,221 | 4,495 | - | 170,716 |
| Credit loss allowance | (218) | (135) | - | (353) |
| Total | ₩ 18,562,534 | ₩ 2,465,928 | ₩ 215,977 | ₩ 21,244,439 |

[1] There are no impaired loans measured at amortized cost subject to individual assessment.

Credit quality of loan commitments as at December 31, 2020 and 2019, is as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Loan commitments | | | | |
| Grade 1 | ₩ 57,226,757 | ₩ 1,756,847 | ₩ - | ₩ 58,983,604 |
| Grade 2 | 4,658,677 | 653,660 | - | 5,312,337 |
| Grade 3 | 666,966 | 445,117 | - | 1,112,083 |
| Grade 4 | 24,687 | 98,039 | - | 122,726 |
| Grade 5 | 15,899 | 27,952 | 26,661 | 70,512 |
| Subtotal | 62,592,986 | 2,981,615 | 26,661 | 65,601,262 |
| Provisions | 79,615 | 49,341 | 8,553 | 137,509 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Loan commitments | | | | |
| Grade 1 | ₩ 54,732,728 | ₩ 146,667 | ₩ - | ₩ 54,879,395 |
| Grade 2 | 4,910,050 | 527,126 | - | 5,437,176 |
| Grade 3 | 275,384 | 221,770 | - | 497,154 |
| Grade 4 | 19,500 | 103,495 | - | 122,995 |
| Grade 5 | 80 | 12,493 | 32,615 | 45,188 |
| Subtotal | 59,937,742 | 1,011,551 | 32,615 | 60,981,908 |
| Provisions | 66,190 | 36,789 | 9,314 | 112,293 |

Credit quality of loans measured at amortized cost as at December 31, 2020 and 2019, is classified as follows, according to the range of PD.

| | Range of PD(%) | | | | |
|---|---|---|---|---|---|
| Grade 1 | on or exceeded | 0.0 | - | on or below | 1.0 |
| Grade 2 | exceeded | 1.0 | - | on or below | 5.0 |
| Grade 3 | exceeded | 5.0 | - | on or below | 15.0 |
| Grade 4 | exceeded | 15.0 | - | on or below | 30.0 |
| Grade 5 | exceeded | 30.0 | | | |

4.3.4.2 Effect of Mitigating Credit Risk by Collateral

Quantification of the extent to which collateral and other credit enhancements mitigate credit risk as at December 31, 2020 and 2019, is as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Guarantee[1] | ₩ - | ₩ - | ₩ 75 | ₩ 75 |
| Movable assets[1] | 598,968 | 116,356 | 4,874 | 720,198 |
| Real estate[1] | 38,845 | 966 | 213 | 40,024 |
| Total | ₩ 637,813 | ₩ 117,322 | ₩ 5,162 | ₩ 760,297 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Guarantee[1] | ₩ - | ₩ - | ₩ 83 | ₩ 83 |
| Movable assets[1] | 312,598 | 68,604 | 1,937 | 383,139 |
| Real estate[1] | 27,480 | 259 | 283 | 28,022 |
| Total | ₩ 340,078 | ₩ 68,863 | ₩ 2,303 | ₩ 411,244 |

[1] The Group's factoring receivables, general loans, installment financing assets, privately placed bonds and lease receivables are partially guaranteed by letter of guarantee, car collateralization and etc.

4.3.5 Credit risk of Securities Measured at Amortized Cost

Credit quality of securities measured at amortized cost excluding equity securities as at December 31, 2020 and 2019, is as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Securities measured at amortized cost | | | | |
| Grade 1 | ₩ 2,905 | ₩ - | ₩ - | ₩ 2,905 |
| Grade 2 | - | - | - | - |
| Grade 3 | - | - | - | - |
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | - | - |
| Subtotal | 2,905 | - | - | 2,905 |
| Credit loss allowance | (36) | - | - | (36) |
| Total | ₩ 2,869 | ₩ - | ₩ - | ₩ 2,869 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Securities measured at amortized cost | | | | |
| Grade 1 | ₩ 3,068 | ₩ - | ₩ - | ₩ 3,068 |
| Grade 2 | - | - | - | - |
| Grade 3 | - | - | - | - |
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | - | - |
| Subtotal | 3,068 | - | - | 3,068 |
| Credit loss allowance | - | - | - | - |
| Total | ₩ 3,068 | ₩ - | ₩ - | ₩ 3,068 |

Credit quality of securities measured at amortized cost as at December 31, 2020, is classified as follows, according to the range of PD.

| | Range of PD(%) | | | | |
|---|---|---|---|---|---|
| Grade 1 | on or exceeded | 0.0 | - | on or below | 1.0 |
| Grade 2 | exceeded | 1.0 | - | on or below | 5.0 |
| Grade 3 | exceeded | 5.0 | - | on or below | 15.0 |

| | | | | | |
|---|---|---|---|---|---|
| Grade 4 | exceeded | 15.0 | - | on or below | 30.0 |
| Grade 5 | exceeded | 30.0 | | | |

4.3.6 Credit Risk of Due from Financial Institutions

Credit quality of due from financial institutions as at December 31, 2020 and 2019, is as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **The financial instruments applying 12-month expected credit losses** | | **The financial instruments applying lifetime expected credit losses** | | | | **Total** | |
| | | | **Non-impaired** | | **Impaired** | | | |
| Due from financial institutions measured at amortized cost | | | | | | | | |
| Grade 1 | ₩ | 271,468 | ₩ | - | ₩ | - | ₩ | 271,468 |
| Grade 2 | | - | | - | | - | | - |
| Grade 3 | | - | | - | | - | | - |
| Grade 4 | | - | | - | | - | | - |
| Grade 5 | | - | | - | | - | | - |
| Subtotal | | 271,468 | | - | | - | | 271,468 |
| Credit loss allowance | | (67) | | - | | - | | (67) |
| Total | ₩ | 271,401 | ₩ | - | ₩ | - | ₩ | 271,401 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **The financial instruments applying 12-month expected credit losses** | | **The financial instruments applying lifetime expected credit losses** | | | | **Total** | |
| | | | **Non-impaired** | | **Impaired** | | | |
| Due from financial institutions measured at amortized cost | | | | | | | | |
| Grade 1 | ₩ | 205,663 | ₩ | - | ₩ | - | ₩ | 205,663 |
| Grade 2 | | - | | - | | - | | - |
| Grade 3 | | - | | - | | - | | - |
| Grade 4 | | - | | - | | - | | - |
| Grade 5 | | - | | - | | - | | - |
| Subtotal | | 205,663 | | - | | - | | 205,663 |
| Credit loss allowance | | (4) | | - | | - | | (4) |
| Total | ₩ | 205,659 | ₩ | - | ₩ | - | ₩ | 205,659 |

Credit quality of due from financial institutions as at December 31, 2020 and 2019, is classified as follows, according to the range of PD.

| | **Range of PD(%)** | | | | |
|---|---|---|---|---|---|
| Grade 1 | on or exceeded | 0.0 | - | on or below | 1.0 |
| Grade 2 | exceeded | 1.0 | - | on or below | 5.0 |
| Grade 3 | exceeded | 5.0 | - | on or below | 15.0 |
| Grade 4 | exceeded | 15.0 | - | on or below | 30.0 |
| Grade 5 | exceeded | 30.0 | | | |

4.3.7 Collateral and Other Credit Enhancement

There is no collateral and other credit enhancement which mitigate credit risk of due from financial institutions, financial assets measured at fair value through profit or loss (except equity securities), securities at amortized cost and derivative financial assets as at December 31, 2020 and 2019.

4.3.8 Credit Risk Concentration Analysis

4.3.8.1 The details of loans measured at amortized cost by country, as at December 31, 2020 and 2019, is as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit cart assets | | | | | | | | | | | | |
| | Credit sales | Short-term card loan (Cash advances) | Long-term card loan (Card loans) | Others | Factoring receivables | General loans | Installment financing assets | Privately placed bonds | Lease receivables | Total | % | Allowances | Carrying amount |
| Korea | ₩12,011,380 | ₩ 1,053,974 | ₩ 5,622,628 | ₩ 79,404 | ₩ 107 | ₩ 347,444 | ₩ 3,487,599 | ₩ - | ₩ 260,960 | ₩ 22,863,496 | 98.21 | ₩ (752,837) | ₩ 22,110,659 |
| Others | - | - | - | 2,101 | - | 241,940 | 172,247 | - | - | 416,288 | 1.79 | ₩ (15,493) | 400,795 |
| | ₩12,011,380 | ₩ 1,053,974 | ₩ 5,622,628 | ₩ 81,505 | ₩ 107 | ₩ 589,384 | ₩ 3,659,846 | ₩ - | ₩ 260,960 | ₩ 23,279,784 | 100.00 | ₩ (768,330) | ₩ 22,511,454 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit cart assets | | | | | | | | | | | | |
| | Credit sales | Short-term card loan (Cash advances) | Long-term card loan (Card loans) | Others | Factoring receivables | General loans | Installment financing assets | Privately placed bonds | Lease receivables | Total | % | Allowances | Carrying amount |
| Korea | ₩ 12,017,268 | ₩ 1,208,206 | ₩ 5,345,430 | ₩ 110,884 | ₩ 120 | ₩ 258,202 | ₩ 2,808,466 | ₩ - | ₩ 170,716 | ₩ 21,919,292 | 99.48 | ₩ (785,892) | ₩ 21,133,400 |
| Others | - | - | - | 6,299 | - | 43,866 | 49,047 | 14,472 | - | 113,684 | 0.52 | ₩ (2,645) | 111,039 |
| | ₩ 12,017,268 | ₩ 1,208,206 | ₩ 5,345,430 | ₩ 117,183 | ₩ 120 | ₩ 302,068 | ₩ 2,857,513 | ₩ 14,472 | ₩ 170,716 | ₩ 22,032,976 | 100.00 | ₩ (788,537) | ₩ 21,244,439 |

# KB Kookmin Card Co., Ltd. and Subsidiaries
## Notes to the Consolidated Financial Statements
## December 31, 2020 and 2019

4.3.8.2 The details of loans measured at amortized cost by industry, as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit card assets | | | | | | | | | | | | |
| | Credit sales | Short-term card loan (Cash advances) | Long-term card loan (Card loans) | Others | Factoring Receivables | General loans | Installment financing assets | Privately placed bonds | Lease Receivables | Total | % | Allowances | Carrying amount |
| Financial Institutions | ₩ 64,747 | ₩ - | ₩ - | ₩ 67,851 | ₩ - | ₩ 4,316 | ₩ 8 | ₩ - | ₩ 1,307 | ₩ 138,229 | 0.59 | ₩ (900) | ₩ 137,329 |
| Service | 262,099 | - | - | 3,051 | - | 4 | 8,856 | - | 147,275 | 421,285 | 1.81 | (10,801) | 410,484 |
| Manufacturing | 232,995 | - | - | 4,094 | - | 31 | 12,044 | - | 42 | 249,206 | 1.07 | (13,624) | 235,582 |
| Public sector | 5,758 | - | - | 4 | - | - | 814 | - | - | 6,576 | 0.03 | (215) | 6,361 |
| Construction | 138,085 | - | - | 1,914 | - | 6 | 14,824 | - | - | 154,829 | 0.67 | (4,880) | 149,949 |
| Wholesale and retail | 188,892 | 2 | - | 4,478 | - | 9 | 8,579 | - | 109,086 | 311,046 | 1.34 | (11,139) | 299,907 |
| Others | 220,565 | - | - | 113 | 3 | 4,040 | 5,171 | - | 2,928 | 232,820 | 1.00 | (8,720) | 224,100 |
| Retail customers | 10,898,239 | 1,053,972 | 5,622,628 | - | 104 | 580,978 | 3,609,550 | - | 322 | 21,765,793 | 93.49 | (718,051) | 21,047,742 |
| | ₩ 12,011,380 | ₩ 1,053,974 | ₩ 5,622,628 | ₩ 81,505 | ₩ 107 | ₩589,384 | ₩ 3,659,846 | ₩ - | ₩ 260,960 | ₩ 23,279,784 | 100.00 | ₩ (768,330) | ₩ 22,511,454 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit card assets | | | | | | | | | | | | |
| | Credit sales | Short-term card loan (Cash advances) | Long-term card loan (Card loans) | Others | Factoring Receivables | General loans | Installment financing assets | Privately placed bonds | Lease Receivables | Total | % | Allowances | Carrying amount |
| Financial Institutions | ₩ 80,044 | ₩ - | ₩ - | ₩ 102,617 | ₩ - | ₩ 2,294 | ₩ 25 | ₩ 14,472 | ₩ - | ₩ 199,452 | 0.91 | ₩ (1,676) | ₩ 197,776 |
| Service | 294,209 | 6 | - | 2,872 | - | 38 | 7,248 | - | 170,716 | 475,089 | 2.16 | (8,402) | 466,687 |
| Manufacturing | 166,588 | 4 | - | 1,551 | - | 60 | 8,942 | - | - | 177,145 | 0.80 | (7,232) | 169,913 |
| Public sector | 6,085 | - | - | 3 | - | - | 545 | - | - | 6,633 | 0.03 | (180) | 6,453 |
| Construction | 86,750 | 1 | - | 3,132 | - | 9 | 9,825 | - | - | 99,717 | 0.45 | (3,435) | 96,282 |
| Wholesale and retail | 189,923 | 4 | - | 5,484 | - | 15 | 6,019 | - | - | 201,445 | 0.91 | (9,175) | 192,270 |
| Others | 205,916 | 1 | - | 150 | 3 | 1,793 | 6,096 | - | - | 213,959 | 0.97 | (7,419) | 206,540 |
| Retail customers | 10,987,753 | 1,208,190 | 5,345,430 | 1,374 | 117 | 297,859 | 2,818,813 | - | - | 20,659,536 | 93.77 | (751,018) | 19,908,518 |
| | ₩ 12,017,268 | ₩ 1,208,206 | ₩ 5,345,430 | ₩ 117,183 | ₩ 120 | ₩ 302,068 | ₩ 2,857,513 | ₩ 14,472 | ₩ 170,716 | ₩ 22,032,976 | 100.00 | ₩ (788,537) | ₩ 21,244,439 |

4.3.8.3 The details of the Group's credit risk concentration of due from financial institutions, financial assets measured at fair value through profit or loss and financial investments (excluding equity securities) and derivative financial assets by country, as at December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won)* | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | Amount | % | Allowances | Carrying amount |
| Due from financial institutions measured at amortized cost | | | | |
| Korea | ₩ 207,655 | 76.49 | ₩ (4) | ₩ 207,651 |
| Others | 63,813 | 23.51 | (63) | 63,750 |
| Due from financial institutions measured at fair value through profit or loss | | | | |
| Korea | 10,011 | 100.00 | - | 10,011 |
| Short-term financial instruments measured at fair value through profit or loss(interest bearing) | | | | |
| Korea | 285,382 | 100.00 | - | 285,382 |
| Short-term financial instruments measured at fair value through profit or loss (non-interest bearing) | | | | |
| Korea | - | - | - | - |
| Financial instruments measured at fair value through profit or loss (debt securities) | | | | |
| Korea | 12,116 | 69.01 | - | 12,116 |
| Others | 5,440 | 30.99 | - | 5,440 |
| Securities measured at amortized cost (debt securities) | | | | |
| Others | 2,905 | 100.00 | (36) | 2,869 |
| Derivative financial assets | | | | |
| Korea | 1,161 | 100.00 | - | 1,161 |
| | ₩ 588,483 | | ₩ (103) | ₩ 588,380 |

| *(In millions of Korean won)* | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | Amount | % | Allowances | Carrying amount |
| Due from financial institutions measured at amortized cost | | | | |
| Korea | ₩ 162,394 | 78.96 | ₩ (2) | ₩ 162,392 |
| Others | 43,269 | 21.04 | (2) | 43,267 |
| Due from financial institutions measured at fair value through profit or loss | | | | |
| Korea | 30,014 | 100.00 | - | 30,014 |
| Short-term financial instruments measured at fair value through profit or loss(interest bearing) | | | | |
| Korea | 503,663 | 100.00 | - | 503,663 |
| Short-term financial instruments measured at fair value through profit or loss (non-interest bearing) | | | | |
| Korea | 30,000 | 100.00 | - | 30,000 |
| Financial instruments measured at fair value through profit or loss (debt securities) | | | | |
| Korea | 7,631 | 100.00 | - | 7,631 |
| Securities measured at amortized cost (debt securities) | | | | |
| Others | 3,068 | 100.00 | - | 3,068 |
| Derivative financial assets | | | | |
| Korea | 18,785 | 100.00 | - | 18,785 |
| | ₩ 798,824 | | ₩ (4) | ₩ 798,820 |

4.3.8.4 The details of the Group's credit risk concentration of due from financial institutions, financial assets measured at fair value through profit or loss and financial investments (excluding equity securities) and derivative financial assets by industry, as at December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won)* | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | **Amount** | **%** | **Allowances** | **Carrying amount** |
| Due from financial institutions measured at amortized cost | | | | |
| Financial institutions | ₩ 271,468 | 100.00 | ₩ (67) | ₩ 271,401 |
| Due from financial institutions measured at fair value through profit or loss | | | | |
| Financial institutions | 10,011 | 100.00 | - | 10,011 |
| Short-term financial investments measured at fair value through profit or loss (interest bearing) | | | | |
| Financial institutions | 285,382 | 100.00 | - | 285,382 |
| Short-term financial instruments measured at fair value through profit or loss (non-interest bearing) | | | | |
| Financial institutions | - | - | - | - |
| Financial instruments measured at fair value through profit or loss (debt securities) | | | | |
| Financial institutions | 17,056 | 97.15 | - | 17,056 |
| Others | 500 | 2.85 | - | 500 |
| Securities measured at amortized cost (debt securities) | | | | |
| Financial institutions | 2,905 | 100.00 | (36) | 2,869 |
| Derivative financial assets | | | | |
| Financial institutions | 1,161 | 100.00 | - | 1,161 |
| | ₩ 588,483 | | ₩ (103) | ₩ 588,380 |

| *(In millions of Korean won)* | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | Amount | % | Allowances | Carrying amount |
| Due from financial institutions measured at amortized cost | | | | |
| Financial institutions | ₩ 205,663 | 100.00 | ₩ (4) | ₩ 205,659 |
| Due from financial institutions measured at fair value through profit or loss | | | | |
| Financial institutions | 30,014 | 100.00 | - | 30,014 |
| Short-term financial investments measured at fair value through profit or loss (interest bearing) | | | | |
| Financial institutions | 503,663 | 100.00 | - | 503,663 |
| Short-term financial investments measured at fair value through profit or loss (non-interest bearing) | | | | |
| Financial institutions | 30,000 | 100.00 | - | 30,000 |
| Financial instruments measured at fair value through profit or loss (debt securities) | | | | |
| Financial institutions | 7,631 | 100.00 | - | 7,631 |
| Securities measured at amortized cost (debt securities) | | | | |
| Financial institutions | 3,068 | 100.00 | - | 3,068 |
| Derivative financial assets | | | | |
| Financial institutions | 18,785 | 100.00 | - | 18,785 |
| | ₩ 798,824 | | ₩ (4) | ₩ 798,820 |

### 4.4 Liquidity Risk

4.4.1 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 discloses its liquidity risk through analysis of the contractual maturity of all financial assets, liabilities and off-balance items such as loan commitments and guarantees by maturity groups: on demand, up to one month, between one month to three months, between three months to one year, between one year to five years and over five years.

Cash flows disclosed for the maturity analysis are undiscounted contractual principal and interest to be received(paid) and; thus, differ from the amount in the consolidated financial statements which are based on present value of expected cash flow. The amount of interest received on assets or paid on liabilities in floating interest rate, is measured on an assumption that the current interest rate would be the same through the maturity.

4.4.2 Liquidity Risk Management and Indicator

The liquidity risk is managed by risk management policies and risk management guidelines set forth in these policies applied to all risk management policies and procedures that may arise throughout the overall business of the Group.

The Group calculates and manages cumulative liquidity gaps and liquidity ratio for all transactions and off-balance transactions, that affect the cashflows in Korean won and foreign currency funds raised and operated for the management of liquidity risks and periodically reports them to the Risk Management Council and the Risk Management Committee.

4.4.3 Analysis on Remaining Contractual Maturity of Financial Assets, Liabilities and Off-balance Items

4.4.3.1 The remaining contractual maturity and amount of financial assets, liabilities and off-balance items excluding derivative financial instruments as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **On demand** | **Up to 1 month** | **1-3 months** | **3-12 months** | **1-5 years** | **Over 5 years** | **Total** |
| **Financial assets** | | | | | | | |
| Cash and due from financial institutions [1] | ₩ 86,900 | ₩ - | ₩ 38,946 | ₩ 4,489 | ₩ - | ₩ - | ₩ 130,335 |
| Financial assets measured at fair value through profit or loss | - | 265,504 | 30,085 | 218 | 8,456 | 13,653 | 317,916 |
| Loans measured at amortized cost | - | 8,624,514 | 3,629,435 | 5,542,943 | 6,276,341 | 529,137 | 24,602,370 |
| Financial investments | - | - | - | - | 2,905 | 61,176 | 64,081 |
| Other assets | - | 210,412 | - | 53,830 | - | 39 | 264,281 |
| | ₩ 86,900 | ₩ 9,100,430 | ₩ 3,698,466 | ₩ 5,601,480 | ₩ 6,287,702 | ₩ 604,005 | ₩ 25,378,983 |
| **Financial liabilities** | | | | | | | |
| Debts | ₩ - | ₩ 42,027 | ₩ 112,312 | ₩ 676,159 | ₩ 163,100 | ₩ - | ₩ 993,598 |
| Debentures | - | 336,831 | 604,344 | 2,918,147 | 12,245,520 | 467,049 | 16,571,891 |
| Other liabilities | - | 2,056,023 | 18,102 | 54,289 | 16,089 | 523 | 2,145,026 |
| | ₩ - | ₩ 2,434,881 | ₩ 734,758 | ₩ 3,648,595 | ₩12,424,709 | ₩ 467,572 | ₩ 19,710,515 |
| **Off-balance items[2]** | | | | | | | |
| Unused loan commitments | ₩ 65,607,962 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 65,607,962 |
| | ₩ 65,607,962 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 65,607,962 |

4.4.3 Analysis on Remaining Contractual Maturity of Financial Assets, Liabilities and Off-balance Items (cont'd)

[1] The amount of ₩143,194 million, which is restricted due from the financial institutions as at December 31, 2020, is excluded.
[2] Off-balance items are classified as 'on demand' because payment will be made upon request.

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **On demand** | **Up to 1 month** | **1-3 months** | **3-12 months** | **1-5 years** | **Over 5 years** | **Total** |
| **Financial assets** | | | | | | | |
| Cash and due from financial institutions [1] | ₩ 105,270 | ₩ - | ₩ - | ₩ 29,311 | ₩ - | ₩ - | ₩ 134,581 |
| Financial assets measured at fair value through profit or loss | - | 413,704 | 150,645 | - | 1,294 | 8,236 | 573,879 |
| Loans measured at amortized cost | - | 9,748,462 | 3,442,707 | 4,665,303 | 5,054,704 | 515,156 | 23,426,332 |
| Financial investments | - | - | - | - | 3,068 | 73,583 | 76,651 |
| Other assets | - | 247,416 | - | 47,003 | - | 38 | 294,457 |
| | ₩ 105,270 | ₩10,409,582 | ₩ 3,593,352 | ₩4,741,617 | ₩5,059,066 | ₩ 597,013 | ₩ 24,505,900 |
| **Financial liabilities** | | | | | | | |
| Debts | ₩ - | ₩ 172 | ₩ 120,608 | ₩ 854,611 | ₩ 158,159 | ₩ - | ₩ 1,133,550 |
| Debentures | - | 339,500 | 628,817 | 2,597,758 | 11,315,062 | 747,490 | 15,628,627 |
| Other liabilities | - | 2,286,304 | 10,162 | 42,504 | 22,241 | 264 | 2,361,475 |
| | ₩ - | ₩ 2,625,976 | ₩ 759,587 | ₩3,494,873 | ₩11,495,462 | ₩ 747,754 | ₩ 19,123,652 |
| **Off-balance items** [2] | | | | | | | |
| Unused loan commitments | ₩ 60,991,558 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 60,991,558 |
| | ₩ 60,991,558 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 60,991,558 |

[1] The amount of ₩71,699 million, which is restricted due from the financial institutions as at December 31, 2019, is excluded.
[2] Off-balance items are classified as 'on demand' because payments will be made upon request.

4.4.3.2 Analysis on Remaining Contractual Maturity of Derivative Financial Instruments

Contractual maturity and amount of derivative financial instruments held by the Group as at December 31, 2020 and 2019 are as follows. The amount includes both interest inflow and outflow and does not include the effect of offsetting agreements.

| *(In millions of Korean won)* | Dec. 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| **Derivatives held for hedging** | | | | | | |
| Inflow(Outflow) of net settlement of derivatives | ₩ (1,028) | ₩ (2,292) | ₩ (8,521) | ₩ (9,588) | ₩ 290 | ₩ (21,139) |
| Inflow of gross settlement of derivatives | 55,803 | 111,725 | 62,224 | 1,003,022 | - | 1,232,774 |
| Outflow of gross settlement of derivatives | (57,780) | (115,427) | (65,784) | (1,084,019) | - | (1,323,010) |
| | ₩ (3,005) | ₩ (5,994) | ₩ (12,081) | ₩ (90,585) | ₩ 290 | ₩ (111,375) |

| *(In millions of Korean won)* | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| **Derivatives held for hedging** | | | | | | |
| Inflow(Outflow) of net settlement of derivatives | ₩ (487) | ₩ (861) | ₩ (4,106) | ₩ (11,020) | ₩ 1,084 | ₩ (15,390) |
| Inflow of gross settlement of derivatives | 2,289 | 126,381 | 374,623 | 708,652 | - | 1,211,945 |
| Outflow of gross settlement of derivatives | (1,559) | (121,847) | (360,967) | (705,567) | - | (1,189,940) |
| | ₩ 243 | ₩ 3,673 | ₩ 9,550 | ₩ (7,935) | ₩ 1,084 | ₩ 6,615 |

## 4.5 Market Risk

### 4.5.1 Overview of Market Risk

#### 4.5.1.1 Definition of market risk

Market risk is the risk of financial loss due to changes in market factors such as interest rates, stock prices, foreign exchange rates, and commodity value, which arise from loans, deposits, securities and derivatives. The most significant risks associated with trading position are interest rate risk related to debt securities or interest-bearing security, and additional risks include stock price risk and currency risk. Also, the non-trading position is exposed to interest rate risk. The Group considers that the risk arising from trading positions held for short-term fund operation purposes is not included in interest rate risk, as it is determined that the operating period is not sensitive to interest rates in the short term, and manages only the risks arising from non-trading positions.

4.5.1.2 Market risk management system

The Risk Management Council established policies on risk management and prepared measures against interest rate risks. The Risk Management Council approves of the interest rate risk limits and other interest rate risk matters. The Risk Management Department measures and monitors interest rate risk on a monthly basis and reports to the Risk Management Council and the Risk Management Committee the status of interest rate such as the interest rate VaR and limit compliance.

4.5.2 Non-trading Position

4.5.2.1 Definition of non-trading position

Interest rate risk arises from maturity or interest rate change period mismatches between interest sensitive assets and liabilities. The Group measures interest rate risk arising from Korean won and foreign currency assets and liabilities including derivatives and most of the assets and liabilities accruing interest incomes and expenses are presented in Korean won.

4.5.2.2 Observation method on market risk arising from non-trading position

The main objective of interest rate risk management is to generate stable net interest incomes and to protect asset value against interest rate fluctuations. The Group usually manages the risk through measuring and managing the interest rate and etc.

4.5.2.3 Interest rate VaR

Interest rate VaR is the maximum possible loss due to interest rate risk under a normal distribution at a 99.90% confidence level. The measurement results of risk as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Interest rate VaR | ₩ 64,783 | ₩ 49,935 |

Subsidiaries domiciled in foreign countries are not considered in calculation.

However, the methodology has shortcomings, since it is based on the volatility of interest rates during the previous periods at specified confidence level. Hence, the methodology has limitations to provide either overestimated or underestimated net asset changes.

4.5.3 Assets and Liabilities in Foreign Currencies

Translation into Korean won of financial instruments in foreign currencies as at December 31, 2020, is as follows:

| *(in millions of Korean won)* | USD | IDR | SGD | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and due from financial institutions | ₩ 22,250 | ₩ 50,148 | ₩ - | ₩ 72,398 |
| Financial assets at fair value through profit or loss | 5,454 | - | - | 5,454 |
| Loans measured at amortized cost | 143,503 | 255,206 | - | 398,709 |
| Financial investments | 2,869 | - | - | 2,869 |
| Other financial assets | 34,158 | 6,543 | - | 40,701 |
| | ₩ 208,234 | ₩ 311,897 | ₩ - | ₩ 520,131 |
| **Financial liabilities** | | | | |
| Debts | ₩ 116,090 | ₩ 272,754 | ₩ - | ₩ 388,844 |
| Derivative financial liabilities | 73,223 | - | 14,050 | 87,273 |
| Debentures | 877,634 | 13,749 | 329,988 | 1,221,371 |
| Other financial liabilities | 35,183 | 8,264 | - | 43,447 |
| | ₩ 1,102,130 | ₩ 294,767 | ₩ 344,038 | ₩ 1,740,935 |
| **Off-balance items** | ₩ 879,605 | ₩ - | ₩ 330,588 | ₩ 1,210,193 |

## 4.6 Capital Adequacy

The Group operates the credit card business under the Specialized Credit Finance Business Act. Accordingly, the Group is required to comply with the Regulations on Supervision of Specialized Credit Finance Business. The regulations require 8% or more of adjusted equity capital ratio.

Adjusted total assets and adjusted equity capital for the ratio are based on the statement of financial position. However, the Group calculates the adjusted equity capital ratio as determined by the regulatory authorities, reflecting the characteristics of the business of a specialized credit finance company and taking into account the standards presented by bank for International Settlements. The Group complies with the regulatory requirement for the adjusted equity capital ratio as at December 31, 2020 and 2019.

## 5. Segment Information

The Group has a single reportable segment.

**5.1 Details of revenues recognized for each financial service groups provided by the Group for the years ended December 31, 2020 and 2019, are as follows:**

*(In millions of Korean won)*

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Credit card | ₩ | 3,013,420 | ₩ | 2,982,933 |
| General loans and installment financing, etc. | | 197,161 | | 119,253 |
| | ₩ | 3,210,581 | ₩ | 3,102,186 |

**5.2 99% or more of revenues from external customers for the years ended December 31, 2020 and 2019, are derived from the Republic of Korea, the Group's country of domicile**.

**5.3 There is no external customer from whom revenues represent 10% or more of the Group's revenues for the years ended December 31, 2020 and 2019.**

## 6. Financial Assets and Financial Liabilities

### 6.1 Classification and Fair Value

6.1.1 Carrying Amount and Fair Values of Financial Assets and Liabilities

Carrying amount and fair values of financial assets and liabilities as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | Carrying amount | | Fair value | |
| **Financial assets** | | | | |
| Cash and due from financial institutions | ₩ | 273,086 | ₩ | 273,086 |
| Financial assets measured at fair value through profit or loss | | | | |
| Due from financial institutions | | 10,011 | | 10,011 |
| Short-term financial instruments (interest bearing) | | 285,382 | | 285,382 |
| Short-term financial instruments (non-interest bearing) | | - | | - |
| Equity securities | | 3,268 | | 3,268 |
| Debt securities | | 17,556 | | 17,556 |
| Derivative financial assets | | 1,161 | | 1,161 |
| Loans measured at amortized cost | | 22,511,454 | | 23,202,712 |
| Financial investments | | | | |
| Equity securities | | 61,176 | | 61,176 |
| Debt securities | | 2,869 | | 2,869 |
| Other financial assets | | 321,823 | | 321,823 |
| | | 23,487,786 | | 24,179,044 |

| | | | | |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Debts | | 988,843 | | 985,531 |
| Derivative financial liabilities | | 109,383 | | 109,383 |
| Debentures | | 15,874,242 | | 16,196,144 |
| Other financial liabilities | | 2,181,344 | | 2,181,344 |
| | ₩ | 19,153,812 | ₩ | 19,472,402 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | Carrying amount | | Fair value | |
| **Financial assets** | | | | |
| Cash and due from financial institutions | ₩ | 205,683 | ₩ | 205,683 |
| Financial assets measured at fair value through profit or loss | | | | |
| Due from financial institutions | | 30,014 | | 30,014 |
| Short-term financial instruments (interest bearing) | | 503,663 | | 503,663 |
| Short-term financial instruments (non-interest bearing) | | 30,000 | | 30,000 |
| Equity securities | | 1,900 | | 1,900 |
| Debt securities | | 7,631 | | 7,631 |
| Derivative financial assets | | 18,785 | | 18,785 |
| Loans measured at amortized cost | | 21,244,439 | | 21,926,209 |
| Financial investments | | | | |
| Equity securities | | 73,583 | | 73,583 |
| Debt securities | | 3,068 | | 3,068 |
| Other financial assets | | 354,945 | | 354,945 |
| | | 22,473,711 | | 23,155,481 |
| **Financial liabilities** | | | | |
| Debts | | 1,129,151 | | 1,117,966 |
| Derivative financial liabilities | | 30,982 | | 30,982 |
| Debentures | | 14,813,456 | | 15,004,035 |
| Other financial liabilities | | 2,400,939 | | 2,400,939 |
| | ₩ | 18,374,528 | ₩ | 18,553,922 |

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. For each class of financial assets and financial liabilities, the Group discloses the fair value of that 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 the quoted price in an active market.

Methods of measuring fair value for financial instruments are as follows:

| | Measurement of fair value |
|---|---|
| **Cash and due from financial institutions** | In case of cash, the carrying amount is regarded as representative of fair value. Carrying amount of demand due from financial institutions and due-settled deposit are regarded as representative of fair value because they do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is determined using a Discounted Cash Flow ("DCF") model. However, if the remaining maturity is short at the reporting date or for floating interest rate financial instruments, the carrying amount is regarded as fair value. |
| **Securities** | If financial instrument such as a listed stock is traded in an active market, fair value is a quoted price in an active market. If there is no such market for the financial instrument, fair value is provided by external professional valuation institutions that calculate fair value by utilizing one or more valuation models from the following: DCF Model, Market Approach Method, Free Cash Flow to Equity Model, Dividend Discount Model, Risk-adjusted Discount Rate Model, and Net Asset Value Model. |
| **Loans measured at amortized cost** | DCF model is used to determine the fair value of loans measured at amortized cost. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate. For loans of which the remaining maturity is short at the reporting date, the carrying amount with consideration of credit risk is regarded as fair value. |
| **Derivatives** | If an active market is available for the financial instrument, a quoted price in an active market is used as a basis of the fair value. The fair value of financial instruments that are not traded in an active market is determined by using valuation method by external professional valuation institutions. Fair value assessed by the external professional valuation institutions is measured by reasonable estimate of future cash flows and discounting them at the rate based on the credit risk of the counterparty. |
| **Debts** | Fair value is determined by using the valuation of professional valuation institutions in accordance with market information. |
| **Debentures** | Fair value is determined by using the valuation of professional valuation institution in accordance with market information. |
| **Other financial assets and liabilities** | The carrying amounts are reasonable approximation of fair valuer. These financial instruments are temporary accounts used for other various transactions and their maturities are relatively short or not defined. |

6.1.2. Fair value hierarchy

6.1.2.1 The fair value hierarchy of financial assets and liabilities

6.1.2.1.1 The fair value hierarchy of financial assets and liabilities measured at fair value in the consolidated statements of financial position as at December 31, 2020 and 2019, is as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | Fair value hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Due from financial institutions | ₩ - | ₩ 10,011 | ₩ - | ₩ 10,011 |
| Short-term financial instruments (interest bearing) | - | 285,382 | - | 285,382 |
| Short-term financial instruments (non-interest bearing) | - | - | - | - |
| Equity securities[1] | 12 | - | 3,256 | 3,268 |
| Debt securities[2] | - | - | 17,556 | 17,556 |
| Derivative financial assets | - | 1,161 | - | 1,161 |
| Financial investments | | | | |
| Equity securities[3] | - | - | 61,176 | 61,176 |
| | ₩ 12 | ₩ 296,554 | ₩ 81,988 | ₩ 378,554 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | ₩ - | ₩ 109,383 | ₩ - | ₩ 109,383 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | Fair value hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Due from financial institutions | ₩ - | ₩ 30,014 | ₩ - | ₩ 30,014 |
| Short-term financial instruments (interest bearing) | - | 503,663 | - | 503,663 |
| Short-term financial instruments (non-interest bearing) | - | 30,000 | - | 30,000 |
| Equity securities[1] | 1 | - | 1,899 | 1,900 |
| Debt securities[2] | - | - | 7,631 | 7,631 |
| Derivative financial assets | - | 18,785 | - | 18,785 |
| Financial investments | | | | |
| Equity securities[3] | - | - | 73,583 | 73,583 |
| | ₩ 1 | ₩ 582,462 | ₩ 83,113 | ₩ 665,576 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | ₩ - | ₩ 30,982 | ₩ - | ₩ 30,982 |

[1] The amounts of financial assets measured at fair value through profit or loss carried at cost in “Level 3” which do not have a quoted market price in an active market and cannot be measured reliably at fair value are ₩1,054 million as at December 31, 2019 and ₩ 604 million as at December 31, 2020.
[2] The amounts of financial assets measured at fair value through profit or loss carried at cost in “Level 3” which do not have a quoted market price in an active market and cannot be measured reliably at fair value are ₩120 million as at December 31, 2020.
[3] The amounts of financial assets measured at fair value through other comprehensive income carried at cost in “Level 3” which do not have a quoted market price in an active market and cannot be measured reliably at fair value are ₩10 million as at December 31, 2020 and 2019.

6.1.2.1.2 The valuation techniques and the inputs used in the fair value measurement classified as Level 2 as at December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won)* | Dec. 31, 2020 | | |
|---|---|---|---|
| | **Fair value** | **Valuation technique** | **Inputs** |
| **Financial assets** | | | |
| Financial assets measured at fair value through profit or loss | | | |
| Due from financial institutions | ₩ 10,011 | DCF Model | Contractual cash flow, discount rate |
| Short-term financial instruments(interest bearing) | 285,382 | DCF Model | Contractual cash flow, discount rate |
| Short-term financial instruments(non-interest bearing) | - | DCF Model | Contractual cash flow, discount rate |
| Derivative financial assets | 1,161 | DCF Model | Contractual cash flow, discount rate |
| **Financial liabilities** | | | |
| Derivative financial liabilities | 109,383 | DCF Model | Contractual cash flow, discount rate |

| *(In millions of Korean won)* | Dec. 31, 2019 | | |
|---|---|---|---|
| | **Fair value** | **Valuation technique** | **Inputs** |
| **Financial assets** | | | |
| Financial assets measured at fair value through profit or loss | | | |
| Due from financial institutions | ₩ 30,014 | DCF Model | Contractual cash flow, discount rate |
| Short-term financial instruments(interest bearing) | 503,663 | DCF Model | Contractual cash flow, discount rate |
| Short-term financial instruments(non-interest bearing) | 30,000 | DCF Model | Contractual cash flow, discount rate |
| Derivative financial assets | 18,785 | DCF Model | Contractual cash flow, discount rate |
| **Financial liabilities** | | | |
| Derivative financial liabilities | 30,982 | DCF Model | Contractual cash flow, discount rate |

6.1.2.1.3 The valuation techniques and the inputs used in the fair value measurement classified as Level 3 as at December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won)* | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | | Fair value | Valuation technique | Inputs |
| **Financial assets** | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Equity securities | ₩ | 2,652 | DCF Model | Expected revenue, discount rate, growth rate etc. |
| Debt securities | | 17,436 | NAV Model | Based asset price etc. |
| Financial investments | | | | |
| Equity securities | | 61,166 | DCF, Market Approach Method | Estimated revenue, discount rate, growth rate etc. |

| *(In millions of Korean won)* | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | | Fair value | Valuation technique | Inputs |
| **Financial assets** | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Equity securities | ₩ | 846 | DCF Model | Expected revenue, discount rate, growth rate etc. |
| Debt securities | | 7,631 | NAV Model | Based asset price etc. |
| Financial investments | | | | |
| Equity securities | | 73,573 | DCF, Market Approach Method | Estimated revenue, discount rate, growth rate etc. |

6.1.2.2 The fair value hierarchy of financial assets and liabilities which the fair value is disclosed

6.1.2.2.1 The fair value hierarchy of financial assets and liabilities which the fair value is disclosed as at December 31, 2020 and 2019, is as follows:

| *(In millions of Korean won)* | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | Fair value hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Cash and due from financial institutions[1,2] | ₩ 1,685 | ₩ 189,187 | ₩ 82,214 | ₩ 273,086 |
| Loans measured at amortized cost[3] | - | - | 23,202,712 | 23,202,712 |
| Financial investments | | | | |
| Debt securities[2] | - | - | 2,869 | 2,869 |
| Other financial assets[2] | - | - | 321,823 | 321,823 |
| | ₩ 1,685 | ₩ 189,187 | ₩23,609,618 | ₩ 23,800,490 |
| **Financial liabilities** | | | | |
| Debts[2] | ₩ - | ₩ 596,688 | ₩ 388,843 | ₩ 985,531 |
| Debentures[4] | - | 14,586,610 | 1,609,534 | 16,196,144 |
| Other financial liabilities[2] | - | - | 2,181,344 | 2,181,344 |
| | ₩ - | ₩ 15,183,298 | ₩ 4,179,721 | ₩ 19,363,019 |

[1] The amounts included in Level 2 are the carrying amounts which are reasonable approximation of the fair values.
[2] The amounts included in Level 3 are the carrying amounts which are reasonable approximation of the fair values.
[3] ₩398,709 million of loans measured at amortized cost included in Level 3 is the carrying amounts which are reasonable approximation of fair values as at December 31, 2020.
[4] ₩13,749 million of debentures included in Level 3 is the carrying amounts which are reasonable approximation of fair values as at December 31, 2020.

| *(In millions of Korean won)* | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | Fair value hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Cash and due from financial institutions[1,2] | ₩ 24 | ₩ 138,562 | ₩ 67,097 | ₩ 205,683 |
| Loans measured at amortized cost[3] | - | - | 21,926,209 | 21,926,209 |
| Financial investments | | | | |
| Debt securities[2] | - | - | 3,068 | 3,068 |
| Other financial assets[2] | - | - | 354,945 | 354,945 |
| | ₩ 24 | ₩ 138,562 | ₩22,351,319 | ₩ 22,489,905 |
| **Financial liabilities** | | | | |
| Debts[2] | ₩ - | ₩ 1,028,815 | ₩ 89,151 | ₩ 1,117,966 |
| Debentures | - | 13,546,577 | 1,457,458 | 15,004,035 |
| Other financial liabilities[2] | - | - | 2,400,939 | 2,400,939 |
| | ₩ - | ₩ 14,575,392 | ₩ 3,947,548 | ₩ 18,522,940 |

[1] The amounts included in Level 2 are the carrying amounts which are reasonable approximation of the fair values.
[2] The amounts included in Level 3 are the carrying amounts which are reasonable approximation of the fair values.
[3] ₩ 91,247 million of loans measured at amortized cost included in Level 3 is the carrying amounts which are reasonable approximation of fair values as at December 31, 2019.

6.1.2.2.2 The valuation techniques and the inputs in the fair value measurement

- Meanwhile, the valuation techniques and the inputs, which are disclosed by the carrying amounts as reasonable approximation of fair value, are not subject to be disclosed.

- The valuation techniques and the inputs used in the fair value measurement within Level 2 of assets and liabilities whose fair value is disclosed as at December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won)* | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | | **Fair value** | **Valuation technique** | **Inputs** |
| **Financial liabilities** | | | | |
| Debt | ₩ | 596,688 | DCF Model | Contractual cash flow, discount rate |
| Debentures | | 14,586,610 | DCF Model | Contractual cash flow, discount rate |

| *(In millions of Korean won)* | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | | **Fair value** | **Valuation technique** | **Inputs** |
| **Financial liabilities** | | | | |
| Debt | ₩ | 1,028,815 | DCF Model | Contractual cash flow, discount rate |
| Debentures | | 13,546,577 | DCF Model | Contractual cash flow, discount rate |

- The valuation techniques and the inputs used in the fair value measurement within Level 3 of assets and liabilities whose fair values are disclosed as at December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won)* | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | | **Fair value** | **Valuation technique** | **Inputs** |
| **Financial assets** | | | | |
| Loans measured at amortized cost | ₩ | 22,804,003 | DCF Model | Credit spread, other spread, prepayment rate |
| **Financial liabilities** | | | | |
| Debentures | | 1,595,785 | DCF Model | Contractual cash flow, Discount rate |

| *(In millions of Korean won)* | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | | **Fair value** | **Valuation technique** | **Inputs** |
| **Financial assets** | | | | |
| Loans measured at amortized cost | ₩ | 21,834,962 | DCF Model | Credit spread, other spread, prepayment rate |
| **Financial liabilities** | | | | |
| Debentures | | 1,457,458 | DCF Model | Contractual cash flow, Discount rate |

### 6.2. Level 3 of the Fair Value Hierarchy Disclosure

6.2.1. Valuation policy and process of Level 3 fair value

The Group uses external, independent and qualified valuation services or internal valuation models to determine the fair value of the Group's assets at the end of every reporting period. Finance department reviews the assumptions used in valuation.

If a reclassification between the levels of the fair value hierarchy occurs for a financial asset or liability, the Group recognizes such transfer as though it has occurred at the beginning of the reporting period.

6.2.2 Changes in Level 3 of the fair value hierarchy used in the valuation techniques based on unobservable assumption in the market

6.2.2.1 Changes in level 3 of the fair value hierarchy for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | |
|---|---|---|---|---|
| | | | Financial investments | |
| | Financial assets measured at fair value through profit or loss | | Financial assets measured at fair value through other comprehensive income | |
| Beginning | ₩ | 9,530 | ₩ | 73,583 |
| Total income | | | | |
| Other comprehensive income | | - | | (12,407) |
| Losses | | (287) | | - |
| Purchases | | 11,569 | | - |
| Sales | | - | | - |
| Ending | ₩ | 20,812 | ₩ | 61,176 |

*(In millions of Korean won)*

| | 2019 | | | |
|---|---|---|---|---|
| | | | Financial investments | |
| | Financial assets measured at fair value through profit or loss | | Financial assets measured at fair value through other comprehensive income | |
| Beginning | ₩ | 1,562 | ₩ | 74,619 |
| Total income | | | | |
| Other comprehensive income | | 1 | | (1,036) |
| Losses | | (182) | | - |
| Purchases | | 8,149 | | - |
| Sales | | - | | - |
| Ending | ₩ | 9,530 | ₩ | 73,583 |

6.2.2.2 In relation to changes in Level 3 of the fair value hierarchy and total gains or losses for financial instruments held at the end of the reporting period in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Financial assets measured at fair value through profit or loss | | Financial assets measured at fair value through profit or loss | |
| Total gains or losses included in profit or loss for the year | ₩ | (287) | ₩ | (182) |
| Total gains or losses included in profit or loss for the year for financial instruments held at the end of the reporting year | | (287) | | (182) |

6.2.3 Sensitivity analysis of changes in unobservable inputs

6.2.3.1 Information about fair value measurements using unobservable inputs

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Fair value | Valuation technique | Unobservable inputs | Range of unobservable inputs(%) | Relationship of unobservable inputs to fair value |
| Financial investments | | | | | |
| Equity securities | ₩ 61,166 | DCF Model, Market Approach Method | Growth rate | 1.00 | The higher the growth rate, the higher the fair value |
| | | | Discount rate | 11.75 ~ 14.16 | The lower the discount rate, the higher the fair value |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Fair value | Valuation technique | Unobservable inputs | Range of unobservable inputs(%) | Relationship of unobservable inputs to fair value |
| Financial investments | | | | | |
| Equity securities | ₩ 73,573 | DCF Model, Market Approach Method | Growth rate | - | The higher the growth rate, the higher the fair value |
| | | | Discount rate | 8.02~12.75 | The lower the discount rate, the higher the fair value |

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 the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable. The Group's financial instruments classified as level 3, subject to the sensitivity analysis, are equity securities whose fluctuation of fair values are recognized other comprehensive income.

Sensitivity analyses by type of instrument as a result of varying input parameters as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | Other comprehensive income | | | |
| | Favorable changes | | Unfavorable changes | |
| **Financial assets** | | | | |
| Financial investments | | | | |
| Equity securities measured at fair value through other comprehensive income[1] | ₩ | 5,825 | ₩ | (4,583) |

[1] For equity securities, the changes in fair-value are calculated by shifting principal unobservable input parameters such as correlation between growth rate (-0.5~0.5%) and discount rate(-1~1%).

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | Other comprehensive income | | | |
| | Favorable changes | | Unfavorable changes | |
| **Financial assets** | | | | |
| Financial investments | | | | |
| Equity securities measured at fair value through other comprehensive income[1] | ₩ | 7,293 | ₩ | (4,432) |

[1] For equity securities, the changes in fair-value are calculated by shifting principal unobservable input parameters such as correlation between growth rate (-0.5~0.5%) and discount rate(-1~1%).

### 6.3 Carrying Amounts of Financial Instruments by Category

The carrying amounts of financial assets and liabilities by category as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Financial instruments measured at fair value through profit or loss | Financial instruments measured at fair value through other comprehensive income | Financial instruments measured at amortized cost | Derivative financial instruments held for hedging | Total |
| **Financial Assets** | | | | | |
| Cash and due from financial institutions | ₩ - | ₩ - | ₩ 273,086 | ₩ - | ₩ 273,086 |
| Financial assets measured at fair value through profit or loss | 316,217 | - | - | - | 316,217 |
| Derivative financial assets | - | - | - | 1,161 | 1,161 |
| Loans measured at amortized cost | - | - | 22,511,454 | - | 22,511,454 |
| Financial investments | - | 61,176 | 2,869 | - | 64,045 |
| Other financial assets | - | - | 321,823 | - | 321,823 |
| | ₩ 316,217 | ₩ 61,176 | ₩ 23,109,232 | ₩ 1,161 | ₩ 23,487,786 |

*(In millions of Korean won)*

| | Dec. 31, 2020 | | |
|---|---|---|---|
| | Financial instruments measured at amortized costs | Derivatives financial instruments held for hedging | Total |
| **Financial Liabilities** | | | |
| Debts | ₩ 988,843 | ₩ - | ₩ 988,843 |
| Derivative financial liabilities | - | 109,383 | 109,383 |
| Debentures | 15,874,242 | - | 15,874,242 |
| Other financial liabilities | 2,181,344 | - | 2,181,344 |
| | ₩ 19,044,429 | ₩ 109,383 | ₩ 19,153,812 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Financial instruments measured at fair value through profit or loss | | Financial Instruments measured at fair value through other comprehensive income | | Financial instruments measured at amortized cost | | Derivative financial instruments held for hedging | | Total | |
| **Financial Assets** | | | | | | | | | | |
| Cash and due from financial institutions | ₩ | - | ₩ | - | ₩ | 205,683 | ₩ | - | ₩ | 205,683 |
| Financial assets measured at fair value through profit or loss | | 573,208 | | - | | - | | - | | 573,208 |
| Derivative financial assets | | - | | - | | - | | 18,785 | | 18,785 |
| Loans measured at amortized cost | | - | | - | | 21,244,439 | | - | | 21,244,439 |
| Financial investments | | - | | 73,583 | | 3,068 | | - | | 76,651 |
| Other financial assets | | - | | - | | 354,945 | | - | | 354,945 |
| | ₩ | 573,208 | ₩ | 73,583 | ₩ | 21,808,135 | ₩ | 18,785 | ₩ | 22,473,711 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Financial instruments measured at amortized costs | | Derivatives financial instruments held for hedging | | Total | |
| **Financial Liabilities** | | | | | | |
| Debts | ₩ | 1,129,151 | ₩ | - | ₩ | 1,129,151 |
| Derivative financial liabilities | | - | | 30,982 | | 30,982 |
| Debentures | | 14,813,456 | | - | | 14,813,456 |
| Other financial liabilities | | 2,400,939 | | - | | 2,400,939 |
| | ₩ | 18,343,546 | ₩ | 30,982 | ₩ | 18,374,528 |

### 6.4 Net Gains (Losses) of Financial Instruments by Category

Net gains (losses) per categories of financial instruments for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Interest income | Interest expense | Fee and commission income | Fee and commission expense | Impairment loss | Others | Net income | Other compre-hensive income |
| Financial assets measured at fair value through profit or loss [1] | ₩ 5,624 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 5,660 | ₩ 11,284 | ₩ - |
| Financial instruments measured at fair value through other comprehensive income | - | - | - | - | - | 3,732 | 3,732 | (8,995) |
| Financial instruments measured at amortized cost [1] | 1,625,973 | | 1,070,130 | (893,442) | (396,376) | (339,185) | 1,067,100 | |
| Derivatives financial instruments held for hedging | - | - | - | - | - | (6,001) | (6,001) | 351 |
| | 1,631,597 | - | 1,070,130 | (893,442) | (396,376) | (335,794) | 1,076,115 | (8,644) |
| Financial liabilities measured at amortized cost [1] | - | (365,737) | - | - | - | 84,723 | (281,014) | - |
| Derivatives financial instruments held for hedging | - | - | - | - | - | (84,621) | (84,621) | 5,591 |
| | - | (365,737) | - | - | - | 102 | (365,635) | 5,591 |
| | ₩ 1,631,597 | ₩ (365,737) | ₩ 1,070,130 | ₩ (893,442) | ₩ (396,376) | ₩ (335,692) | ₩ 710,480 | ₩ (3,053) |

[1] Of other operating income (loss), gain (loss) from translation of loans in foreign currency, debt securities in foreign currency and debentures in foreign currency are offset against loss (gain) on valuation of hedging instruments.

*(In millions of Korean won)*

| | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Interest income** | **Interest expense** | **Fee and commission income** | **Fee and commission expense** | **Impairment loss** | **Others** | **Net income** | **Other comprehensive income** |
| Financial assets measured at fair value through profit or loss | ₩ 10,812 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 371 | ₩ 11,183 | ₩ - |
| Financial instruments measured at fair value through other comprehensive income | - | - | - | - | - | 3,117 | 3,117 | (751) |
| Financial instruments measured at amortized cost [1] | 1,570,735 | - | 998,511 | (921,321) | (439,765) | (273,798) | 934,362 | - |
| Derivatives financial instruments held for hedging | - | - | - | - | - | 1,688 | 1,688 | 1,515 |
| | 1,581,547 | - | 998,511 | (921,321) | (439,765) | (268,622) | 950,350 | 764 |
| Financial liabilities measured at amortized cost[1] | - | (350,814) | - | - | - | (18,500) | (369,314) | - |
| Derivatives financial instruments held for hedging | - | - | - | - | - | 17,207 | 17,207 | (7,325) |
| | - | (350,814) | - | - | - | (1,293) | (352,107) | (7,325) |
| | ₩ 1,581,547 | ₩ (350,814) | ₩ 998,511 | ₩ (921,321) | ₩ (439,765) | ₩ (269,915) | ₩ 598,243 | ₩ (6,561) |

[1] Of other operating income (loss), gain (loss) from translation of loans in foreign currency and debentures in foreign currency are offset against loss (gain) on valuation of hedging instruments.

### 6.5 Transfer of Financial Assets

6.5.1 Transferred financial assets that are derecognized in their entirety

The recovered portion in excess of the consideration paid to the Group by National Happiness Fund is attributed to the Group due to the agreement with National Happiness Fund.

6.5.2 Transferred financial assets that are not derecognized in their entirety

The Group securitized the loans and issued the asset-backed debentures. The Senior debentures and related securitized assets as at December 31, 2020 are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | **Carrying amount of underlying assets** | **Fair value of underlying assets** | **Carrying amount of underlying debts** | **Fair value of underlying debts** |
| KB Kookmin Card 4th Securitization Co., Ltd.[1] | ₩ 490,465 | ₩ 488,251 | ₩ 219,419 | ₩ 226,401 |
| KB Kookmin Card 5th Securitization Co., Ltd.[1] | 476,523 | 474,481 | 299,838 | 304,914 |
| KB Kookmin Card 6th Securitization Co., Ltd.[1] | 701,360 | 698,421 | 434,492 | 472,861 |
| KB Kookmin Card 7th Securitization Co., Ltd.[1] | 924,159 | 919,775 | 553,711 | 591,609 |
| | ₩ 2,592,507 | ₩ 2,580,928 | ₩ 1,507,460 | ₩ 1,595,785 |

[1] The Group has an obligation to early redeem the asset-backed debentures upon occurrence of an event specified in the agreement such as when the outstanding balance of the eligible asset-backed securitization (ABS), a trust-type ABS, is below the required percentage(minimum rate: 104.5%) of the beneficiary interest in the trust. In addition, the Group can entrust additional eligible card transaction accounts and deposits. To avoid such early redemption, the Group entrusts accounts and deposits in addition to the previously entrusted card accounts.

### 6.6 Offsetting Financial Assets and Financial Liabilities

The Group entered into International Swaps and Derivatives Association ("ISDA") master netting agreements and other similar netting arrangements with the Group's over the-counter derivative and spot exchange counterparties. According to the arrangement, contracts are terminated if an event of credit-related problems such as default by one party occurs, and receivables and payables of each party are to be offset as at the termination date, where one party pays the other party the offset amount to be payable.

6.6.1 The details of the Group's recognized financial assets subject to enforceable master netting arrangements or similar agreements by type as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Gross amounts of recognized financial assets | Gross amounts of recognized financial liabilities offset in the statement of financial position | Net amounts of financial assets presented in the statement of financial position | Non-offsetting amount | | Net amount |
| | | | | Financial instruments | Cash collateral received | |
| Derivative financial assets[1] | ₩ 1,161 | ₩ - | ₩ 1,161 | ₩ (1,161) | ₩ - | ₩ - |
| Receivable spot exchange[2] | 32,643 | - | 32,643 | (32,643) | - | - |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Gross amounts of recognized financial assets | Gross amounts of recognized financial liabilities offset in the statement of financial position | Net amounts of financial assets presented in the statement of financial position | Non-offsetting amount | | Net amount |
| | | | | Financial instruments | Cash collateral received | |
| Derivative financial assets[1] | ₩ 18,785 | ₩ - | ₩ 18,785 | ₩ (2,863) | ₩ - | ₩ 15,922 |
| Receivable spot exchange[2] | 34,803 | - | 34,803 | (34,803) | - | - |

[1] Pursuant to ISDA Master Agreements and other additional arrangements based on the agreement if an event of credit-related problems such as default by one party occurs, contracts are terminated and receivables and payables of each party are to be offset with the right to receive or pay.
[2] Pursuant to the master agreement of OTC, the Group has the right to pay or receive payment after off-setting the payable to and receivable, from the counterparty when contracts are terminated before the maturity or on a certain date.

6.6.2 The details of the Group's recognized financial liabilities subject to enforceable master netting arrangement or similar agreement by type as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Non-offsetting amount | | |
| | Gross amounts of recognized financial liabilities | Gross amounts of recognized financial assets offset in the statement of financial position | Net amounts of financial liabilities presented in the statement of financial position | Financial instruments | Cash collateral received | Net Amount |
| Derivative financial liabilities[1] | ₩ 109,383 | ₩ - | ₩ 109,383 | ₩ (1,161) | ₩ - | ₩108,222 |
| Payable spot exchange[2] | 32,643 | - | 32,643 | (32,643) | - | - |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Non-offsetting amount | | |
| | Gross Amounts of recognized financial liabilities | Gross amounts of recognized financial assets offset in the statement of financial position | Net amounts of financial liabilities presented in the statement of financial position | Financial instruments | Cash collateral received | Net Amount |
| Derivative financial liabilities[1] | ₩ 30,982 | ₩ - | ₩ 30,982 | ₩ (2,863) | ₩ - | ₩28,119 |
| Payable spot exchange[2] | 34,803 | - | 34,803 | (34,803) | - | - |

[1] Pursuant to ISDA Master Agreements and other additional arrangements based on the agreement if an event of credit-related problems such as default by one party occurs, contracts are terminated and receivables and payables of each party are to be offset with the right to receive or pay.
[2] Pursuant to the master agreement of OTC, the Group has the right to pay or receive payment after off-setting the payable to and receivable, from the counterparty when contracts are terminated before the maturity or on a certain date.

## 7. Due from Financial Institutions

### 7.1 The details of due from financial institutions as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Financial institution | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|---|
| **Due from financial institutions in Korean won** | | | | | |
| Demand deposits | Kookmin Bank and others | ₩ | 161,653 | ₩ | 118,636 |
| Time deposits | Kookmin Bank and others | | 36,400 | | 36,700 |
| Other deposits | Samsung Securities and others | | 2,639 | | 3,761 |
| | | | 200,692 | | 159,097 |
| **Due from financial institutions in foreign currencies** | | | | | |
| Demand deposits | Banks in Cambodia and others | | 24,961 | | 16,169 |
| Time deposits | Banks in Cambodia and others | | 43,298 | | - |
| Other deposits | Banks in Cambodia | | 2,517 | | 30,397 |
| | | | 70,776 | | 46,566 |
| Allowances for losses on due from financial institutions | | | (67) | | (4) |
| | | ₩ | 271,401 | ₩ | 204,659 |

### 7.2 The details of due from financial institutions classified by the type of financial institution as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| Financial institutions | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| Bank | ₩ | 268,832 | ₩ | 201,905 |
| Others | | 2,636 | | 3,758 |
| | ₩ | 271,468 | ₩ | 205,663 |

### 7.3 Restricted due from financial institutions as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | **Deposits** | **Financial institution** | **Collateralized amount** | **Reasons for restriction** |
| Due from financial institutions in Korean won | Demand deposits | Kookmin Bank and others | ₩ 103,980 | Deposits related to SPE, Virtual account restricted to use |
| | Time deposits | Kookmin Bank and others | 36,400 | Deposits pledged as collateral and related to SPE |
| | Other deposits | Kookmin Bank | 3 | Deposits for checking accounts |
| | | | 140,383 | |
| Due from financial institutions in foreign currencies | Demand deposits | Banks in Myanmar | 54 | Deposits for foreign office |
| | Other deposits | Banks in Cambodia | 2,380 | Bank Act of Cambodia and etc. |
| | | | 2,434 | |
| | | | ₩ 142,817 | |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | **Deposits** | **Financial institution** | **Collateralized amount** | **Reasons for restriction** |
| Due from financial institutions in Korean won | Demand deposits | Kookmin Bank and others | ₩ 33,260 | Deposits related to SPE, Virtual account restricted to use |
| | Time deposits | Kookmin Bank and others | 36,700 | Deposits pledged as collateral and related to SPE |
| | Other deposits | Kookmin Bank | 3 | Deposits for checking accounts |
| | | | 69,963 | |
| Due from financial institutions in foreign currencies | Demand deposits | Banks in Myanmar | 58 | Deposits for foreign office |
| | Other deposits | Banks in Cambodia | 1,085 | Bank Act of Cambodia and etc. |
| | | | 1,143 | |
| | | | ₩ 71,106 | |

**7.4 Changes in the allowances for due from financial institutions for the years ended December 31, 2020 and 2019, are as follows:**

*(In millions of Korean won)*

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | | The financial instruments applying lifetime expected credit losses | | | | Total | |
| | | | Non-impaired | | Impaired | | | |
| Beginning | ₩ | 4 | ₩ | - | ₩ | - | ₩ | 4 |
| Provisions | | 50 | | - | | - | | 50 |
| Exchange rate changes | | (3) | | - | | - | | (3) |
| Business combination | | 16 | | - | | - | | 16 |
| Ending | ₩ | 67 | ₩ | - | ₩ | - | ₩ | 67 |

*(In millions of Korean won)*

| | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | | The financial instruments applying lifetime expected credit losses | | | | Total | |
| | | | Non-impaired | | Impaired | | | |
| Beginning | ₩ | 2 | ₩ | - | ₩ | - | ₩ | 2 |
| Provisions | | 2 | | - | | - | | 2 |
| Ending | ₩ | 4 | ₩ | - | ₩ | - | ₩ | 4 |

## 8. Derivative Financial Instruments and Hedge Accounting

The Group uses interest rate swaps and currency swaps to hedge the risk of changes in the cash flow values related to the changes of interest rate of debentures in Korean won.

Fair value of derivatives designated as hedging instruments as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Notional amount | | Assets | | Liabilities | |
| **Interest rate** | | | | | | |
| Swaps | ₩ | 1,300,000 | ₩ | 1,161 | ₩ | 22,110 |
| **Currency** | | | | | | |
| Swaps | | 1,210,055 | | - | | 87,273 |
| | ₩ | 2,510,055 | ₩ | 1,161 | ₩ | 109,383 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Notional amount | | Assets | | Liabilities | |
| **Interest rate** | | | | | | |
| Swaps | ₩ | 1,280,000 | ₩ | 2,863 | ₩ | 22,220 |
| **Currency** | | | | | | |
| Swaps | | 1,177,363 | | 15,922 | | 8,762 |
| | ₩ | 2,457,363 | ₩ | 18,785 | ₩ | 30,982 |

Gains and losses from cash flow hedging instruments and hedged items attributable to the hedge risk for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Total gains (losses) on hedging instruments | ₩ | (96,023) | ₩ | 10,651 |
| Gains (Losses) on the hedged item attributable to the hedged risk | | (90,124) | | 9,760 |
| Ineffectiveness recognized in losses that arises cash flow hedges | | (5,899) | | 891 |

For cash flow hedges, the amount that was recognized in other comprehensive income and the amount that was reclassified from equity to profit or loss for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Recognized in other comprehensive income | ₩ | (90,124) | ₩ | 9,760 |
| Reclassified from equity to profit or loss | | 98,099 | | (17,574) |
| Tax effect | | (2,033) | | 2,004 |
| | ₩ | 5,942 | ₩ | (5,810) |

The average price by hedging types as at December 31, 2020, are as follows:

| *(In millions of Korean won, in percentage)* | Dec. 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 year | 2 years | 3 years | 4 years | 5 years | over 5 years | Total |
| Cash flow hedge | | | | | | | |
| Notional amounts of hedging instrument | ₩344,560 | ₩795,200 | ₩1,030,295 | ₩120,000 | ₩120,000 | ₩100,000 | ₩2,510,055 |
| Average price of the hedge instrument-rate(%) | 2.13 | 1.70 | 1.79 | 2.02 | 1.61 | 1.67 | - |
| Average price of the hedge instrument-exchange rate(KRW/USD) | ₩1,130.00 | ₩1,179.00 | ₩1,199.00 | ₩ - | ₩ - | ₩ - | ₩ - |
| Average price of the hedge instrument-exchange rate(KRW/SGD) | 831.49 | - | 866.14 | - | - | - | - |

The hedging instruments are expected to be exposed for cash flow hedge until December 2026 as at December 31, 2020.

## 9. Loans Measured at Amortized Cost

### 9.1 Loans measured at amortized cost as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | Dec. 31, 2020 | | | | |
|---|---|---|---|---|---|---|
| | | Gross loans | Present value premium (discount)[1] | Deferred loan origination fees and costs | Allowances for loan losses | Carrying amount |
| Credit card assets | Credit sales | ₩12,029,766 | ₩ (18,386) | ₩ - | ₩ (250,480) | ₩ 11,760,900 |
| | Short-term card loan (Cash advance) | 1,053,974 | - | - | (91,443) | 962,531 |
| | Long-term card loan (Card loans) | 5,622,628 | - | - | (352,448) | 5,270,180 |
| | Others | 81,505 | - | - | (4,039) | 77,466 |
| Factoring receivables | | 108 | - | (1) | (37) | 70 |
| General loans | | 582,600 | 62 | 6,722 | (26,648) | 562,736 |
| Installment financing assets | | 3,633,570 | (11,482) | 37,758 | (41,883) | 3,617,963 |
| Privately placed bonds | | - | - | - | - | - |
| Lease receivables | | 260,948 | - | 12 | (1,352) | 259,608 |
| | | ₩23,265,099 | ₩ (29,806) | ₩ 44,491 | ₩(768,330) | ₩ 22,511,454 |

*(In millions of Korean won)*

| | | Dec. 31, 2019 | | | | |
|---|---|---|---|---|---|---|
| | | Gross loans | Present value premium (discount)[1] | Deferred loan origination fees and costs | Allowances for loan losses | Carrying amount |
| Credit card assets | Credit sales | ₩12,038,239 | ₩ (20,971) | ₩ - | ₩ (248,181) | ₩ 11,769,087 |
| | Short-term card loan (Cash advance) | 1,208,206 | - | - | (99,632) | 1,108,574 |
| | Long-term card loan (Card loans) | 5,345,430 | - | - | (389,838) | 4,955,592 |
| | Others | 117,183 | - | - | (2,067) | 115,116 |
| Factoring receivables | | 120 | - | - | (41) | 79 |
| General loans | | 302,013 | 169 | (114) | (22,310) | 279,758 |
| Installment financing assets | | 2,816,173 | 9,571 | 31,769 | (25,167) | 2,832,346 |
| Privately placed bonds | | 14,472 | - | - | (948) | 13,524 |
| Lease receivables | | 170,706 | - | 10 | (353) | 170,363 |
| | | ₩22,012,542 | ₩ (11,231) | ₩ 31,665 | ₩(788,537) | ₩ 21,244,439 |

[1] Interest bearing installment product is provided to gain interest income through financing services, whereas interest-free installment product is provided for marketing purposes (aim to increase credit card

use, others). This results in differences on the customer's credit rating and the distribution of the installment terms. Hence, the Group did not classify these products as similar financial instruments. The fair value of the interest free installment product is calculated as the present value of estimated future cash receipts discounted using the interest rate considering interest-rate-to-finance and credit risk.

### 9.2 The details of loans measured at amortized cost by customer types as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Retail | | Corporate | | Total | |
| Credit card assets | | | | | | |
| Card sales | ₩ | 10,898,239 | ₩ | 1,113,141 | ₩ | 12,011,380 |
| Short-term card loan (Cash advances) | | 1,053,972 | | 2 | | 1,053,974 |
| Long-term card loan (Card loans) | | 5,622,628 | | - | | 5,622,628 |
| Others | | - | | 81,505 | | 81,505 |
| Factoring receivables | | 104 | | 3 | | 107 |
| General loans | | 580,978 | | 8,406 | | 589,384 |
| Installment financing assets | | 3,609,550 | | 50,296 | | 3,659,846 |
| Privately placed bonds | | - | | - | | - |
| Lease receivables | | 322 | | 260,638 | | 260,960 |
| | | 21,765,793 | | 1,513,991 | | 23,279,784 |
| Allowances for loan losses | | (718,051) | | (50,279) | | (768,330) |
| Carrying amount | ₩ | 21,047,742 | ₩ | 1,463,712 | ₩ | 22,511,454 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Retail | | Corporate | | Total | |
| Credit card assets | | | | | | |
| Card sales | ₩ | 10,987,753 | ₩ | 1,029,515 | ₩ | 12,017,268 |
| Short-term card loan (Cash advances) | | 1,208,190 | | 16 | | 1,208,206 |
| Long-term card loan (Card loans) | | 5,345,430 | | - | | 5,345,430 |
| Others | | 1,374 | | 115,809 | | 117,183 |
| Factoring receivables | | 117 | | 3 | | 120 |
| General loans | | 297,859 | | 4,209 | | 302,068 |
| Installment financing assets | | 2,818,813 | | 38,700 | | 2,857,513 |
| Privately placed bonds | | - | | 14,472 | | 14,472 |
| Lease receivables | | - | | 170,716 | | 170,716 |
| | | 20,659,536 | | 1,373,440 | | 22,032,976 |
| Allowances for loan losses | | (751,018) | | (37,519) | | (788,537) |
| Carrying amount | ₩ | 19,908,518 | ₩ | 1,335,921 | ₩ | 21,244,439 |

### 9.3 The changes in deferred loan origination fees and costs for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Beginning | | Increase | | Decrease | | Business combination | | Ending | |
| **Deferred loan origination fees and costs** | | | | | | | | | | |
| Factoring receivables | ₩ | - | ₩ | - | ₩ | (1) | ₩ | - | ₩ | (1) |
| General loans | | (114) | | 3,887 | | (3,297) | | 6,245 | | 6,721 |
| Installment assets | | 31,769 | | 26,689 | | (23,830) | | 3,131 | | 37,759 |
| Lease receivables | | 10 | | 9 | | (7) | | - | | 12 |
| | ₩ | 31,665 | ₩ | 30,585 | ₩ | (27,135) | ₩ | 9,376 | ₩ | 44,491 |

*(In millions of Korean won)*

| | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Beginning | | Increase | | Decrease | | Ending | |
| **Deferred loan origination fees and costs** | | | | | | | | |
| Factoring receivables | ₩ | - | ₩ | - | ₩ | - | ₩ | - |
| General loans | | 14 | | 258 | | (386) | | (144) |
| Installment assets | | 24,221 | | 28,702 | | (21,154) | | 31,769 |
| Lease receivables | | 6 | | 6 | | (2) | | 10 |
| | ₩ | 24,241 | ₩ | 28,966 | ₩ | (21,542) | ₩ | 31,665 |

### 9.4 The changes in allowances for credit losses for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Credit card assets | | | Factoring receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | ₩ 209,660 | ₩ 266,181 | ₩ 263,877 | ₩ - | ₩ - | ₩ 41 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 48,945 | (47,612) | (1,333) | - | - | - |
| Transfer to lifetime expected credit losses | (25,227) | 26,379 | (1,152) | - | - | - |
| Impairment | (2,267) | (13,658) | 15,925 | - | - | - |
| Write-offs | - | - | (500,529) | - | - | - |
| Provision (reversal) for credit losses[1] | (26,015) | 2,929 | 495,763 | - | - | (4) |
| Business combination | - | - | - | - | - | - |
| Others (change of currency ratio, etc.) | - | - | (13,456) | - | - | - |
| Ending | ₩ 205,096 | ₩ 234,219 | ₩ 259,095 | ₩ - | ₩ - | ₩ 37 |

*(In millions of Korean won)*

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | General loans | | | Installment financing assets | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | ₩ 12,125 | ₩ 5,991 | ₩ 4,194 | ₩ 6,932 | ₩ 8,374 | ₩ 9,861 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 521 | (506) | (15) | 2,821 | (2,277) | (544) |
| Transfer to lifetime expected credit losses | (1,131) | 1,176 | (45) | (826) | 1,455 | (629) |
| Impairment | (176) | (389) | 565 | (52) | (882) | 934 |
| Write-offs | - | - | (14,653) | - | - | (11,462) |
| Provision (reversal) for credit losses[1] | 1,297 | (1,011) | 11,802 | 3,479 | 6,160 | 13,486 |
| Business combination | 2,566 | 1,273 | 3,765 | 1,676 | 451 | 3,350 |
| Others (change of currency ratio, etc.) | - | - | (701) | - | - | (424) |
| Ending | ₩ 15,202 | ₩ 6,534 | ₩ 4,912 | ₩ 14,030 | ₩ 13,281 | ₩ 14,572 |

*(In millions of Korean won)*

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Privately placed bonds | | | Lease receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | ₩ 948 | ₩ - | ₩ - | ₩ 218 | ₩ 135 | ₩ - |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - |
| Write-offs | - | - | - | - | - | - |
| Provision (reversal) for credit losses[1] | (948) | - | - | (108) | 1,105 | 2 |
| Business combination | - | - | - | - | - | - |
| Others (change of currency ratio, etc.) | - | - | - | - | - | - |
| Ending | ₩ - | ₩ - | ₩ - | ₩ 110 | ₩ 1,240 | ₩ 2 |

[1] Recovery of written-off loans amounting to ₩137,284 million is included. Besides ₩370,653 million (recovery of written-off loans excluded) of the above allowances for credit losses, total provision for credit losses consists of ₩25,217 million of provision for unused loan commitments and guarantees (Note 18), ₩ 50 million of provision for due from financial institutions (Note 7), ₩40 million of provision for financial investments (Note 10) and ₩416 million of provision for other assets (recovery of written-off loans excluded, Note 15). Meanwhile, as a result of readjustment on classification of stages of borrowers affected by COVID-19 pandemic, provision for loans measured at amortized cost has increased by ₩10,321 million.

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Credit card assets | | | Factoring receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | ₩ 180,476 | ₩ 290,024 | ₩ 240,448 | ₩ - | ₩ 1 | ₩ 46 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 51,542 | (50,627) | (915) | - | - | - |
| Transfer to lifetime expected credit losses | (23,537) | 24,529 | (992) | - | - | - |
| Impairment | (2,388) | (14,378) | 16,766 | - | - | - |
| Write-offs | - | - | (506,255) | - | - | - |
| Provision (reversal) for credit losses[1] | 3,567 | 16,633 | 524,651 | - | (1) | (6) |
| Others (change of currency ratio, etc.) | - | - | (9,826) | - | - | 1 |
| Ending | ₩ 209,660 | ₩ 266,181 | ₩ 263,877 | ₩ - | ₩ - | ₩ 41 |

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | General loans | | | Installment financing assets | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | ₩ 9,994 | ₩ 4,949 | ₩ 3,163 | ₩ 4,192 | ₩ 8,094 | ₩ 3,707 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 325 | (325) | - | 2,100 | (1,871) | (229) |
| Transfer to lifetime expected credit losses | (961) | 1,015 | (54) | (567) | 1,010 | (443) |
| Impairment | (142) | (340) | 482 | (35) | (774) | 809 |
| Write-offs | - | - | (8,197) | - | - | (4,163) |
| Provision (reversal) for credit losses[1] | 2,909 | 692 | 8,860 | 1,242 | 1,915 | 10,152 |
| Others (change of currency ratio, etc.) | - | - | (60) | - | - | 28 |
| Ending | ₩ 12,125 | ₩ 5,991 | ₩ 4,194 | ₩ 6,932 | ₩ 8,374 | ₩ 9,861 |

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Privately placed bonds | | | Lease receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | ₩ 2,037 | ₩ - | ₩ - | ₩ 30 | ₩ - | ₩ - |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - |
| Write-offs | - | - | - | - | - | - |
| Provision (reversal) for credit losses[1] | (1,121) | - | - | 188 | 135 | - |
| Others (change of currency ratio, etc.) | 32 | - | - | - | - | - |
| Ending | ₩ 948 | ₩ - | ₩ - | ₩ 218 | ₩ 135 | ₩ - |

[1] Recovery of written-off loans amounting to ₩137,789 million is included. Besides ₩432,027 million (recovery of written-off loans excluded) of the above allowances for credit losses, total provision for credit losses consists of ₩5,702 million of provision for unused loan commitments and guarantees (Note 18), ₩2 million of provision for due from financial institutions (Note 7) and ₩2,034 million of provision for other assets (recovery of written-off loans excluded, Note 15).

The Group manages written-off loans whose claims against the debtors remain because the statute of limitations has not closed or the loans have not collected since the written-off. The written-off loans as at December 31, 2020 and 2019 amount to ₩1,922,107 million and ₩1,747,871 million (Note 31).

### 9.5 The changes of loans measured at amortized cost that has affected significant changes in allowances for loan losses for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Credit card assets | | | Factoring receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | ₩15,710,676 | ₩2,503,084 | ₩ 474,327 | ₩ - | ₩ - | ₩ 120 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 609,214 | (607,393) | (1,821) | - | - | - |
| Transfer to lifetime expected credit losses | (1,134,213) | 1,135,757 | (1,544) | - | - | - |
| Impairment | (73,017) | (67,180) | 140,197 | - | - | - |
| Write-offs | - | - | (500,529) | - | - | - |
| Business combination | - | - | - | - | - | - |
| Net increase | 469,264 | (260,727) | 373,392 | - | - | (13) |
| Ending | ₩15,581,924 | ₩2,703,541 | ₩484,022 | ₩ - | ₩ - | ₩ 107 |

*(In millions of Korean won)*

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | General loans | | | Installment financing assets | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | ₩ 256,606 | ₩ 38,804 | ₩ 6,658 | ₩2,644,442 | ₩ 200,226 | ₩ 12,845 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 5,731 | (5,712) | (19) | 77,168 | (76,461) | (707) |
| Transfer to lifetime expected credit losses | (18,808) | 18,867 | (59) | (141,911) | 142,734 | (823) |
| Impairment | (3,018) | (1,563) | 4,581 | (6,826) | (7,871) | 14,697 |
| Write-offs | - | - | (14,653) | - | - | (11,462) |
| Business combination | 115,466 | 19,006 | 9,903 | 48,804 | 5,391 | 5,550 |
| Net increase | 171,063 | (15,569) | 2,100 | 740,762 | 14,245 | (957) |
| Ending | ₩ 527,040 | ₩ 53,833 | ₩ 8,511 | ₩3,362,439 | ₩ 278,264 | ₩ 19,143 |

*(In millions of Korean won)*

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Privately placed bonds | | | Lease receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | ₩ 14,472 | ₩ - | ₩ - | ₩ 166,221 | ₩ 4,495 | ₩ - |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - |
| Write-offs | - | - | - | - | - | - |
| Business combination | - | - | - | - | - | - |
| Net increase | (14,472) | - | - | (52,009) | 142,251 | 2 |
| Ending | ₩ - | ₩ - | ₩ - | ₩ 114,212 | ₩ 146,746 | ₩ 2 |

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Credit card assets | | | Factoring receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | ₩14,361,745 | ₩2,606,815 | ₩ 419,444 | ₩ 193 | ₩ 20 | ₩ 237 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 598,589 | (597,392) | (1,197) | - | - | - |
| Transfer to lifetime expected credit losses | (930,171) | 931,499 | (1,328) | - | - | - |
| Impairment | (78,928) | (75,404) | 154,332 | - | - | - |
| Write-offs | - | - | (506,255) | - | - | - |
| Net increase | 1,759,441 | (362,434) | 409,331 | (193) | (20) | (117) |
| Ending | ₩15,710,676 | ₩2,503,084 | ₩ 474,327 | ₩ - | ₩ - | ₩ 120 |

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | General loans | | | Installment financing assets | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | ₩ 194,709 | ₩ 31,665 | ₩ 4,802 | ₩1,729,565 | ₩ 122,157 | ₩ 4,881 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 3,718 | (3,718) | - | 41,634 | (41,334) | (300) |
| Transfer to lifetime expected credit losses | (16,322) | 16,393 | (71) | (100,298) | 100,882 | (584) |
| Impairment | (2,332) | (1,287) | 3,619 | (4,998) | (5,529) | 10,527 |
| Write-offs | - | - | (8,197) | - | - | (4,163) |
| Net increase | 76,833 | (4,249) | 6,505 | 978,539 | 24,050 | 2,484 |
| Ending | ₩ 256,606 | ₩ 38,804 | ₩ 6,658 | ₩2,644,442 | ₩ 200,226 | ₩ 12,845 |

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Privately placed bonds | | | Lease receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | ₩ 32,611 | ₩ - | ₩ - | ₩ 27,283 | ₩ - | ₩ - |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - |
| Write-offs | - | - | - | - | - | - |
| Net increase | (18,139) | - | - | 138,938 | 4,495 | - |
| Ending | ₩ 14,472 | ₩ - | ₩ - | ₩ 166,221 | ₩ 4,495 | ₩ - |

### 9.6 The ratios of allowances for loan measured at amortized cost losses as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Gross loans measured at amortized cost | ₩ 23,279,784 | ₩ 22,032,976 |
| Allowances for loan losses | 768,330 | 788,537 |
| Ratio(%) | 3.30 | 3.58 |

## 10. Financial Assets Measured at fair value through Profit and Loss and Financial Investments

### 10.1 The details of financial assets measured at fair value through profit or loss and financial investments as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 |
|---|---|
| Financial assets measured at fair value through profit or loss | |
| Due from financial institutions | ₩ 10,011 |
| Short-term financial instruments(interest bearing) | 285,382 |
| Short-term financial instruments(non-interest bearing) | - |
| Equity securities | 3,268 |
| Debt securities | 17,556 |
| | 316,217 |
| Financial investments | |
| Financial instruments measured at fair value through other comprehensive income | |
| Equity securities | 61,176 |
| Securities measured at amortized cost | |
| Debt securities | 2,905 |
| Allowances for credit losses | (36) |
| | 64,045 |
| Total | ₩ 380,262 |

*(In millions of Korean won)*

| | | Dec. 31, 2019 |
|---|---|---|
| Financial assets measured at fair value through profit or loss | | |
| Due from financial institutions | ₩ | 30,014 |
| Short-term financial instruments(interest bearing) | | 503,663 |
| Short-term financial instruments(non-interest bearing) | | 30,000 |
| Equity securities | | 1,900 |
| Debt securities | | 7,631 |
| | | 573,208 |
| Financial investments | | |
| Financial instruments measured at fair value through other comprehensive income | | |
| Equity securities | | 73,583 |
| Securities measured at amortized cost | | |
| Debt securities | | 3,068 |
| | | 76,651 |
| Total | ₩ | 649,859 |

**10.2 The details of dividends from equity securities designated to be measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:**

*(In millions of Korean won)*

| | 2020 | | | |
|---|---|---|---|---|
| | Equity instruments derecognized during the period | | Equity instruments held at the end of the period | |
| Financial instruments measured at fair value through other comprehensive income | | | | |
| Equity securities | ₩ | - | ₩ | 3,732 |

*(In millions of Korean won)*

| | 2019 | | | |
|---|---|---|---|---|
| | Equity instruments derecognized during the period | | Equity instruments held at the end of the period | |
| Financial instruments measured at fair value through other comprehensive income | | | | |
| Equity securities | ₩ | - | ₩ | 3,117 |

### 10.3 There is no derecognized equity securities of financial instruments measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019.

### 10.4 The changes in allowances for credit losses for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | | The financial instruments applying lifetime expected credit losses | | | | Total | |
| | | | Non-impaired | | Impaired | | | |
| Beginning | ₩ | - | ₩ | - | ₩ | - | ₩ | - |
| Transfer between stages | | | | | | | | |
| Transfer to 12-month expected credit losses | | - | | - | | - | | - |
| Transfer to lifetime expected credit losses | | - | | - | | - | | - |
| Impairment | | - | | - | | - | | - |
| Provision (reversal) for credit losses | | 40 | | - | | - | | 40 |
| Others (change of currency ratio, etc.) | | (4) | | | | | | (4) |
| Ending | ₩ | 36 | ₩ | - | ₩ | - | ₩ | 36 |

*(In millions of Korean won)*

| | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | | The financial instruments applying lifetime expected credit losses | | | | Total | |
| | | | Non-impaired | | Impaired | | | |
| Beginning | ₩ | - | ₩ | - | ₩ | - | ₩ | - |
| Transfer between stages | | | | | | | | |
| Transfer to 12-month expected credit losses | | - | | - | | - | | - |
| Transfer to lifetime expected credit losses | | - | | - | | - | | - |
| Impairment | | - | | - | | - | | - |
| Provision (reversal) for credit losses | | - | | - | | - | | - |
| Ending | ₩ | - | ₩ | - | ₩ | - | ₩ | - |

## 11. Investments in Associates

### 11.1 The details of investments in associates as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ownership(%) | Acquisition cost | | Share of net asset amount | | Carrying amount | | Industry | Location |
| **Associates** | | | | | | | | | |
| KB KOLAO LEASING Co., Ltd. | 29.0 | ₩ | 3,393 | ₩ | 5,103 | ₩ | 5,103 | Installment financing of automobile, etc. | Laos |
| Big Dipper Inc. | 25.1 | | 440 | | (5) | | - | Collect, process, analysis and intermediate of big data, etc. | Korea |
| | | ₩ | 3,833 | ₩ | 5,098 | ₩ | 5,103 | | |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Ownership(%) | Acquisition cost | | Share of net asset amount | | Carrying amount | | Industry | Location |
| **Associates** | | | | | | | | | |
| KB KOLAO LEASING Co., Ltd. | 29.0 | ₩ | 3,393 | ₩ | 4,498 | ₩ | 4,498 | Installment financing of automobile, etc. | Laos |
| Big Dipper Inc. | 29.3 | | 440 | | 10 | | 125 | Collect, process, analysis and intermediate of big data, etc. | Korea |
| | | ₩ | 3,833 | ₩ | 4,508 | ₩ | 4,623 | | |

**11.2 The condensed financial information of the associate, changes in the carrying amount of investments in associates and dividends received from the associate are as follows:**

*(in millions of Korean won)*

| | Dec. 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total Assets | Total liabilities | Share Capital | Total Equity | Share of net asset amount | Unrealized gains or losses, etc | Carrying amount |
| KB KOLAO LEASING Co., Ltd. | ₩91,104 | ₩73,509 | ₩ 11,700 | ₩ 17,595 | ₩ 5,103 | ₩ - | ₩ 5,103 |
| Big Dipper Inc. | 285 | 306 | 1,750 | (21) | (5) | - | - |
| | ₩91,389 | ₩73,815 | ₩ 13,450 | ₩ 17,574 | ₩ 5,098 | ₩ - | ₩ 5,103 |

*(in millions of Korean won)*

| | Dec. 31, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total Assets | Total liabilities | Share Capital | Total Equity | Share of net asset amount | Unrealized gains or losses, etc | Carrying amount |
| KB KOLAO LEASING Co., Ltd. | ₩93,803 | ₩78,292 | ₩11,700 | ₩15,511 | ₩ 4,498 | ₩ - | ₩ 4,498 |
| Big Dipper Inc. | 370 | 335 | 1,500 | 35 | 10 | 115 | 125 |
| | ₩94,173 | ₩78,627 | ₩13,200 | ₩15,546 | ₩ 4,508 | ₩ 115 | ₩ 4,623 |

*(In millions of Korean won)*

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Operating profit | Profit(loss) for the period | Other comprehensive income | Total comprehensive income | Dividends |
| **Associates** | | | | | |
| KB KOLAO LEASING Co., Ltd. | ₩11,359 | ₩ 4,316 | ₩ (2,231) | ₩ 2,085 | ₩ - |
| Big Dipper Inc. | 942 | (305) | - | (305) | - |
| | ₩12,301 | ₩ 4,011 | ₩ (2,231) | ₩ 1,780 | ₩ - |

*(In millions of Korean won)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Operating profit | Profit(loss) for the period | Other comprehensive income | Total comprehensive income | Dividends |
| **Associates** | | | | | |
| KB KOLAO LEASING Co., Ltd. | ₩11,512 | ₩ 4,259 | ₩ (309) | ₩ 3,950 | ₩ - |
| Big Dipper Inc. | 598 | (532) | - | (532) | - |
| | ₩12,110 | ₩ 3,727 | ₩ (309) | ₩ 3,418 | ₩ - |

## 11.3 Changes in investments in associates for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Beginning | Acquisition | Disposal | Dividends | Gains(losses) on equity-method accounting | Other comprehensive income | Ending |
| KB KOLAO LEASING Co., Ltd | ₩ 4,498 | ₩ - | ₩ - | ₩ - | ₩ 1,253 | ₩ (648) | ₩5,103 |
| Big Dipper Inc.[1] | 125 | - | - | - | (125) | - | - |
| | ₩ 4,623 | ₩ - | ₩ - | ₩ - | ₩ 1,128 | ₩ (648) | ₩5,103 |

[1] Losses on equity-method accounting of Big dipper Inc. are comprised of gains amounting ₩45 million due to non-uniform capital increase of the investee and share of losses of investments in associates amounting ₩170 million(including ₩92 million of impairment loss).

*(In millions of Korean won)*

| | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Beginning | Acquisition | Disposal | Dividends | Gains(losses) on equity-method accounting | Other comprehensive income | Ending |
| KB KOLAO LEASING Co., Ltd | ₩ 3,325 | ₩ - | ₩ - | ₩ - | ₩ 1,262 | ₩ (89) | ₩4,498 |
| Big Dipper Inc. | 281 | - | - | - | (156) | - | 125 |
| | ₩ 3,606 | ₩ - | ₩ - | ₩ - | ₩ 1,106 | ₩ (89) | ₩4,623 |

## 11.4 There are no accumulated unrecognized changes in equity due to the discontinuation of applying equity method for the years ended December 31, 2020 and 2019.

## 12. Property and Equipment

### 12.1 The details of property and equipment as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | Carrying amount |
| Land | ₩ 52,959 | ₩ - | ₩ - | ₩ 52,959 |
| Buildings | 66,518 | (35,253) | - | 31,265 |
| Leasehold improvements | 26,089 | (21,886) | - | 4,203 |
| Equipment and furniture | 232,234 | (179,768) | - | 52,466 |
| Right-of-use assets | 48,055 | (25,451) | - | 22,604 |
| Construction in progress | 452 | - | - | 452 |
| | ₩ 426,307 | ₩ (262,358) | ₩ - | ₩163,949 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | Carrying amount |
| Land | ₩ 51,719 | ₩ - | ₩ - | ₩51,719 |
| Buildings | 63,269 | (32,642) | - | 30,627 |
| Leasehold improvements | 17,481 | (15,334) | - | 2,147 |
| Equipment and furniture | 229,176 | (192,623) | - | 36,553 |
| Right-of-use assets | 50,936 | (23,699) | (1,178) | 26,059 |
| Construction in progress | 58 | - | - | 58 |
| | ₩ 412,639 | ₩ (264,298) | ₩ (1,178) | ₩147,163 |

### 12.2 The changes in property and equipment for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Beginning | Acquisition | Transfers | Disposal | Depreciation | Business combination | Other | Ending |
| Land | ₩ 51,719 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 1,406 | ₩ (166) | ₩ 52,959 |
| Buildings | 30,627 | 1,350 | - | - | (2,357) | 1,360 | 285 | 31,265 |
| Leasehold improvements | 2,147 | 2,588 | 89 | - | (1,692) | 1,179 | (108) | 4,203 |
| Equipment and furniture | 36,553 | 41,347 | - | (16) | (27,787) | 2,421 | (52) | 52,466 |
| Right-of-use assets | 26,059 | 13,837 | - | - | (16,125) | 7,448 | (8,615) | 22,604 |
| Construction in progress | 58 | 554 | (89) | - | - | 23 | (94) | 452 |
| | ₩147,163 | ₩ 59,676 | ₩ - | ₩ (16) | ₩ (47,961) | ₩ 13,837 | ₩(8,750) | ₩163,949 |

(*In millions of Korean won)*

| | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Beginning[1] | Acquisition | Transfers | Disposal | Depreciation | Other | Ending |
| Land | ₩ 51,719 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 51,719 |
| Buildings | 32,271 | 432 | - | - | (2,076) | - | 30,627 |
| Leasehold improvements | 2,084 | 1,884 | 17 | - | (1,870) | 32 | 2,147 |
| Equipment and furniture | 42,425 | 23,101 | - | (2) | (28,970) | (1) | 36,553 |
| Right-of-use assets | 32,658 | 9,270 | - | (277) | (14,453) | (1,139) | 26,059 |
| Construction in progress | 17 | 58 | (17) | - | - | - | 58 |
| | ₩ 161,174 | ₩ 34,745 | ₩ - | ₩ (279) | ₩ (47,369) | ₩ (1,108) | ₩ 147,163 |

[1] Beginning amount for 2019 includes adjustments from adoption of Korean IFRS No. 1116.

**12.3 The changes in accumulated impairment losses of property and equipment for the years ended December 31, 2020 and 2019, are as follows**:

*(In millions of Korean won)*

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Beginning | Increase | Reversal | Others | Ending |
| Accumulated impairment loss | ₩ 1,178 | ₩ - | ₩ - | ₩ (1,178) | ₩ - |

*(In millions of Korean won)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Beginning | Increase | Reversal | Others | Ending |
| Accumulated impairment loss | ₩ - | ₩ 1,178 | ₩ - | ₩ - | ₩ 1,178 |

**12.4 The insured property and equipment as at December 31, 2020 and 2019, are as follows:**

*(In millions of Korean won)*

| | | Insurance coverage | | Insurance |
|---|---|---|---|---|
| Type of insurance | Asset insured | 2020 | 2019 | company |
| General property insurance | Buildings | ₩ 61,068 | ₩ 52,032 | KB Insurance Co., Ltd. and others |
| | Leasehold improvements | 10,477 | 9,183 | |
| | Equipment and furniture | 31,521 | 47,304 | |
| | | ₩103,066 | ₩108,519 | |

**12. 5 There is no assets pledged as collaterals as at December 31, 2020 and 2019.**

## 13. Intangible Assets

### 13.1 The details of intangible assets as at December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won)* | Dec. 31, 2020 | | | | |
|---|---|---|---|---|---|
| | **Acquisition cost** | **Accumulated amortization** | **Accumulated impairment loss** | **Others** | **Carrying amount** |
| Industrial property rights | ₩ 98 | ₩ (46) | ₩ - | ₩ - | ₩ 52 |
| Software | 263,645 | (95,580) | - | - | 168,065 |
| Membership rights | 12,788 | - | (1,483) | - | 11,305 |
| Others | 9,879 | (975) | - | - | 8,904 |
| Right-of-use assets | - | - | - | - | - |
| Goodwill | 53,335 | - | - | (2,713) | 50,622 |
| | ₩339,745 | ₩ (96,601) | ₩ (1,483) | ₩ (2,713) | ₩ 238,948 |

| *(In millions of Korean won)* | Dec. 31, 2019 | | | | |
|---|---|---|---|---|---|
| | **Acquisition cost** | **Accumulated amortization** | **Accumulated impairment loss** | **Others** | **Carrying amount** |
| Industrial property rights | ₩ 79 | ₩ (42) | ₩ - | ₩ - | ₩ 37 |
| Software | 240,186 | (64,226) | - | 1 | 175,961 |
| Membership rights | 12,692 | - | (1,483) | - | 11,209 |
| Others | 8 | (7) | - | - | 1 |
| Right-of-use assets | 17,155 | (14,625) | (2,483) | - | 47 |
| Goodwill | 1,515 | - | - | 48 | 1,563 |
| | ₩271,635 | ₩ (78,900) | ₩ (3,966) | ₩ 49 | ₩188,818 |

### 13.2 The details of allocating goodwill to cash-generating units and related information for impairment testing as at December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won, in percentage)* | Dec. 31, 2020 | |
|---|---|---|
| | **KB Daehan Specialized Bank** | **PT. KB Finansia Multi Finance** |
| Recoverable amount exceeding carrying amount | ₩ 9,299 | ₩ 28,990 |
| Discount rate (%) | 25.77 | 16.19 |
| Permanent growth rate (%) | 1.00 | 3.00 |

| *(In millions of Korean won)* | **Dec. 31, 2019** | |
|---|---|---|
| | **KB Daehan Specialized Bank** | |
| Recoverable amount exceeding carrying amount | ₩ | 11,772 |
| Discount rate (%) | | 19.55 |
| Permanent growth rate (%) | | 1.00 |

Goodwill is allocated to cash-generating units, based on management's analysis, that are expected to benefit from the synergies of the combination for impairment testing, and cash-generating units consist of an operating segment or units which are not larger than an operating segment.

The Group recognized the amount of ₩1,515 million and ₩51,820 million related to goodwill acquired in the acquisition of KB Daehan Specialized Bank and PT. KB Finansia Multi Finance, respectively. Cash-generating units to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

The recoverable amount of a cash-generating unit is measured at the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. If it is difficult to measure the amount obtainable from the sale, the Group measures the fair value less costs to sell by reflecting the characteristics of the measured cash-generating unit. If it is not possible to obtain reliable information to measure the fair value less costs to sell, the Group uses the asset's value in use as its recoverable amount. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The projections of the future cash flows are based on the most recent financial budget approved by management and generally cover a period of five years. The future cash flows after projection period are estimated on the assumption that the future cash flows will increase by 1.0% and 3.0% for KB Daehan Specialized Bank and PT. KB Finansia Multi Finance, respectively. The key assumptions used for the estimation of the future cash flows are the market size and the Group's market share. The discount rate is a pretax rate that reflects assumptions regarding risk-free interest rate, market risk premium and the risks specific to the cash generating unit.

### 13.3 Details of intangible assets with indefinite useful life that are allocated to cash generating unites for the year ended December 31, 2020, are as follows:

| *(In millions of Korean won)* | 2020 |
|---|---|
| | PT. KB Finansia Multi Finance |
| Carrying amount | ₩ 2,722 |

### 13.4 The changes in intangible assets for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Beginning | Acquisition | Disposal | Amortization | Business combinatio | Others | Ending |
| Industrial property rights | ₩ 37 | ₩ 32 | ₩ - | ₩ (17) | ₩ - | ₩ - | ₩ 52 |
| Software | 175,961 | 50,203 | - | (61,449) | 3,674 | (324) | 168,065 |
| Membership rights | 11,209 | 237 | (141) | - | - | - | 11,305 |
| Others | 1 | - | - | (976) | 9,735 | 144 | 8,904 |
| Right-of-use assets | 47 | - | - | - | - | (47) | - |
| Goodwill | 1,563 | - | - | - | 51,820 | (2,761) | 50,622 |
| | ₩188,818 | ₩ 50,472 | ₩ (141) | ₩ (62,442) | ₩ 65,229 | ₩ (2,988) | ₩238,948 |

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning[1] | Acquisition | Disposal | Amortization | Others | Ending |
| Industrial property rights | ₩ 52 | ₩ 2 | ₩ - | ₩ (17) | ₩ - | ₩ 37 |
| Software | 65,634 | 145,776 | - | (34,823) | (626) | 175,961 |
| Membership rights | 12,173 | 140 | (26) | - | (1,078) | 11,209 |
| Others | 1 | - | - | - | - | 1 |
| Right-of-use assets | 5,901 | - | - | (3,377) | (2,477) | 47 |
| Goodwill | 1,510 | - | - | - | 53 | 1,563 |
| | ₩ 85,271 | ₩ 145,918 | ₩ (26) | ₩ (38,217) | ₩ (4,128) | ₩188,818 |

[1] Beginning amount for 2020 includes adjustments from adoption of Korean IFRS No. 1116.

### 13.5 The changes in accumulated impairment losses of intangible assets for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Beginning | Increase | Reversal | Others | Ending |
| Accumulated impairment loss | ₩ 3,966 | ₩ - | ₩ - | ₩ (2,483) | ₩ 1,483 |

*(In millions of Korean won)*

| | 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Beginning | | Increase | | Reversal | | Others | | Ending | |
| Accumulated impairment loss | ₩ | 404 | ₩ | 3,562 | ₩ | - | ₩ | - | ₩ | 3,966 |

## 14. Deferred Income Tax Assets and Liabilities

### 14.1 The details of deferred income tax assets and liabilities as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net amount | |
| Loans measured at amortized cost | ₩ | 15,311 | ₩ | 2,973 | ₩ | 12,338 |
| Deferred loan origination fees and costs | | - | | 10,462 | | (10,462) |
| Leasehold improvements | | - | | 248 | | (248) |
| Depreciation | | 2,465 | | - | | 2,465 |
| Membership | | 408 | | - | | 408 |
| Provisions for unused loan commitments | | 37,876 | | - | | 37,876 |
| Provisions for asset retirement obligation | | 927 | | - | | 927 |
| Other provisions | | 13,819 | | - | | 13,819 |
| Net defined benefit liabilities | | 43,182 | | - | | 43,182 |
| Plan assets | | - | | 42,193 | | (42,193) |
| Deferred revenue on credit card points | | 58,171 | | - | | 58,171 |
| Accrued expenses | | 12,364 | | - | | 12,364 |
| Unearned revenue | | 19,995 | | - | | 19,995 |
| Valuation of security investments | | - | | 13,641 | | (13,641) |
| Revaluation on land | | - | | 2,558 | | (2,558) |
| Gain on valuation of derivatives | | 5,847 | | 2,277 | | 3,570 |
| Others | | 17,134 | | 5,665 | | 11,469 |
| | ₩ | 227,499 | ₩ | 80,017 | ₩ | 147,482 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net amount | |
| Loans measured at amortized cost | ₩ | 11,031 | ₩ | 3,640 | ₩ | 7,391 |
| Deferred loan origination fees and costs | | - | | 8,894 | | (8,894) |
| Leasehold improvements | | - | | 61 | | (61) |
| Depreciation | | 1,905 | | - | | 1,905 |
| Membership | | 417 | | - | | 417 |
| Provisions for unused loan commitments | | 30,974 | | - | | 30,974 |
| Provisions for asset retirement obligation | | 726 | | - | | 726 |

| | | | |
|---|---|---|---|
| Other provisions | 10,750 | - | 10,750 |
| Net defined benefit liabilities | 36,769 | - | 36,769 |
| Plan assets | - | 35,921 | (35,921) |
| Deferred revenue on credit card points | 56,623 | - | 56,623 |
| Accrued expenses | 4 | - | 4 |
| Unearned revenue | 19,060 | - | 19,060 |
| Valuation of security investments | - | 16,511 | (16,511) |
| Revaluation on land | - | 2,558 | (2,558) |
| Gain on valuation of derivatives | - | - | - |
| Others | 26,025 | 7,715 | 18,310 |
| | ₩ 194,284 | ₩ 75,300 | ₩ 118,984 |

**14.2 The changes in cumulative temporary differences for the years ended December 31, 2020 and 2019, are as follows:**

*(In millions of Korean won)*

| | 2020 | | | |
|---|---|---|---|---|
| | Beginning[1] | Decrease | Increase | Ending |
| **Deductible temporary differences** | | | | |
| Loans | ₩ 40,113 | ₩ 26,166 | ₩ 41,729 | ₩ 55,676 |
| Deferred loan origination fees and costs | 1 | 1 | 2 | 2 |
| Depreciation | 6,927 | 2,295 | 4,331 | 8,963 |
| Membership rights | 1,518 | 34 | - | 1,484 |
| Provisions for unused loan commitments | 112,634 | 112,634 | 137,730 | 137,730 |
| Provision for asset retirement obligation | 2,640 | 2,640 | 3,370 | 3,370 |
| Other provisions | 39,091 | 39,091 | 50,253 | 50,253 |
| Defined benefit obligation | 133,704 | 4,887 | 28,210 | 157,027 |
| Deferred revenue on credit card points | 205,904 | 205,904 | 211,530 | 211,530 |
| Accrued expenses | 28,857 | 28,857 | 44,959 | 44,959 |
| Unearned revenue | 69,308 | 69,308 | 72,710 | 72,710 |
| Gain on valuation of derivatives | 19,358 | 19,358 | 21,261 | 21,261 |
| Others | 46,934 | 42,602 | 63,738 | 68,070 |
| | ₩ 706,989 | ₩ 553,777 | ₩ 679,823 | ₩ 833,035 |
| **Tax rate(%)** | 27.5 | | | 27.5 |
| **Deferred income tax assets** | ₩ 194,284 | | | ₩ 227,499 |

[1] The amount after the reclassification during the year ended December 31, 2020 compared to the prior year.

*(In millions of Korean won)*

| | 2019 | | | |
|---|---|---|---|---|
| | Beginning | Decrease | Increase | Ending |
| **Deductible temporary differences** | | | | |
| Loans | ₩ 40,446 | ₩ 25,866 | ₩ 25,533 | ₩ 40,113 |
| Deferred loan origination fees and costs | 1 | 1 | 1 | 1 |
| Depreciation | 4,210 | 884 | 3,601 | 6,927 |
| Membership rights | 443 | 4 | 1,079 | 1,518 |
| Provisions for unused loan | 106,591 | 106,591 | 112,634 | 112,634 |

| | | | | |
|---|---|---|---|---|
| commitments | | | | |
| Provision for asset retirement obligation | 2,520 | 2,520 | 2,640 | 2,640 |
| Other provisions | 35,452 | 35,452 | 39,091 | 39,091 |
| Defined benefit obligation | 114,618 | 2,297 | 21,383 | 133,704 |
| Deferred revenue on credit card points | 187,176 | 187,176 | 205,904 | 205,904 |
| Accrued expenses | 3,494 | 3,494 | 15 | 15 |
| Unearned revenue | 57,066 | 57,066 | 69,308 | 69,308 |
| Others | 64,958 | 63,148 | 93,324 | 95,134 |
| | ₩ 616,975 | ₩ 484,499 | ₩ 574,513 | ₩ 706,989 |
| **Tax rate(%)** | 27.5 | | | 27.5 |
| **Deferred income tax assets** | ₩ 169,668 | | | ₩ 194,284 |

| *(In millions of Korean won)* | 2020 | | | |
|---|---|---|---|---|
| | **Beginning** | **Decrease** | **Increase** | **Ending** |
| **Taxable temporary differences** | | | | |
| Deferred loan origination fees and costs | ₩ (32,344) | ₩ (32,344) | ₩ (38,043) | ₩ (38,043) |
| Other receivable | - | - | - | - |
| Leasehold improvements | (222) | (222) | (903) | (903) |
| Plan assets | (130,622) | (5,073) | (27,881) | (153,430) |
| Valuation on available-for-sale financial assets | (60,043) | (60,043) | (49,605) | (49,605) |
| Revaluation on land | (9,301) | - | - | (9,301) |
| Loans | (13,235) | (13,235) | (10,811) | (10,811) |
| Gain on valuation of derivatives | - | - | (8,278) | (8,278) |
| Others | (28,054) | (27,810) | (20,354) | (20,598) |
| | ₩ (273,821) | ₩ (138,727) | ₩ (155,875) | ₩ (290,969) |
| **Tax rate(%)** | 27.5 | | | 27.5 |
| **Deferred income tax liabilities** | ₩ (75,300) | | | ₩ (80,017) |

| *(In millions of Korean won)* | 2019 | | | |
|---|---|---|---|---|
| | **Beginning** | **Decrease** | **Increase** | **Ending** |
| **Taxable temporary differences** | | | | |
| Deferred loan origination fees and costs | ₩ (24,237) | ₩ (24,237) | ₩ (32,344) | ₩ (32,344) |
| Other receivable | (3,500) | (3,500) | - | - |
| Leasehold improvements | (305) | (305) | (222) | (222) |
| Plan assets | (115,210) | (3,385) | (18,798) | (130,623) |
| Valuation on available-for-sale financial assets | (58,840) | (58,840) | (60,043) | (60,043) |
| Revaluation on land | (9,301) | - | - | (9,301) |
| Loans | (8,908) | (8,908) | (13,235) | (13,235) |
| Gain on valuation of derivatives | - | - | - | - |
| Others | (4,678) | (4,418) | (27,793) | (28,053) |
| | ₩ (224,979) | ₩ (103,593) | ₩ (152,435) | ₩ (273,821) |
| **Tax rate(%)** | 27.5 | | | 27.5 |
| **Deferred income tax liabilities** | ₩ (61,869) | | | ₩ (75,300) |

## 15. Other Assets

### 15.1 The details of other assets as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | |
|---|---|---|---|
| | Other financial assets | Other non-financial assets | Total |
| Accounts receivable | ₩ 177,866 | ₩ 23 | ₩ 177,889 |
| Prepaid expenses | - | 8,909 | 8,909 |
| Accrued income | 95,321 | - | 95,321 |
| Advances | 3,919 | 7,132 | 11,051 |
| Guarantee deposits | 53,868 | - | 53,868 |
| Reinsurance assets | - | 3,322 | 3,322 |
| Other operating assets[1] | - | 8,990 | 8,990 |
| | 330,974 | 28,376 | 359,350 |
| Allowances for losses on other assets | (9,151) | - | (9,151) |
| Carrying amount | ₩ 321,823 | ₩ 28,376 | ₩ 350,199 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | |
|---|---|---|---|
| | Other financial assets | Other non-financial assets | Total |
| Accounts receivable | ₩ 216,018 | ₩ 772 | ₩ 216,790 |
| Prepaid expenses | - | 18,274 | 18,274 |
| Accrued income | 97,109 | - | 97,109 |
| Advances | 3,452 | 25,635 | 29,087 |
| Guarantee deposits | 47,041 | - | 47,041 |
| Reinsurance assets | - | 3,407 | 3,407 |
| Other operating assets[1] | - | 7,783 | 7,783 |
| | 363,620 | 55,871 | 419,491 |
| Allowances for losses on other assets | (8,675) | - | (8,675) |
| Carrying amount | ₩ 354,945 | ₩ 55,871 | ₩ 410,816 |

[1] Net of accumulated impairment loss.

### 15.2 The changes in allowances for losses on other assets for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Other financial assets | | Other non-financial assets | | Total | |
| Beginning | ₩ | 8,675 | ₩ | - | ₩ | 8,675 |
| Write-offs | | (2,204) | | - | | (2,204) |
| Provision[1] | | 1,593 | | - | | 1,593 |
| Others | | (52) | | - | | (52) |
| Business combination | | 1,139 | | - | | 1,139 |
| Ending | ₩ | 9,151 | ₩ | - | ₩ | 9,151 |

[1] Recovery of written-off loans amounting to ₩1,177 million is included.

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Other financial assets | | Other non-financial assets | | Total | |
| Beginning | ₩ | 7,825 | ₩ | - | ₩ | 7,825 |
| Write-offs | | (2,844) | | - | | (2,844) |
| Provision[1] | | 3,687 | | - | | 3,687 |
| Others | | 7 | | - | | 7 |
| Ending | ₩ | 8,675 | ₩ | - | ₩ | 8,675 |

[1] Recovery of written-off loans amounting to ₩1,653 million is included.

## 16. Debts

### 16.1 The details of debts as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Lender | Annual interest rate(%) | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|---|
| Commercial Paper | EUGENE INVESTMENT & SECURITIES CO., LTD and others | 0.99 ~ 1.08 | ₩ 600,000 | ₩ 1,040,000 |
| Borrowings in foreign currencies | Kookmin Bank Cambodia PLC and others | 3M Libor+1.10 ~ 3M Libor+2.10 | 39,930 | 19,683 |
| | Korea Development Bank and others | 1.89 ~ 14.00 | 348,913 | 69,468 |
| | | | ₩ 988,843 | ₩ 1,129,151 |

### 16.2 The details of debts borrowed from financial institutions as at December 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | |
|---|---|---|---|
| | Bank | Others | Total |
| Commercial Paper | ₩ 120,000 | ₩ 480,000 | ₩ 600,000 |
| Borrowings in foreign currencies | 388,843 | - | 388,843 |
| | ₩ 508,843 | ₩ 480,000 | ₩ 988,843 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | |
|---|---|---|---|
| | Bank | Others | Total |
| Commercial Paper | ₩ 120,000 | ₩ 920,000 | ₩ 1,040,000 |
| Borrowings in foreign currencies | 89,151 | - | 89,151 |
| | ₩ 209,151 | ₩ 920,000 | ₩ 1,129,151 |

## 17. Debentures

### 17.1 The details of debentures measured at amortized cost as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| Debentures in Korean won | Annual interest rate (%) | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|
| Fixed rate debentures in Korean won | 1.04 ~ 3.27 | ₩13,060,000 | ₩12,080,000 |
| Floating rate debentures in Korean won | CD(91 days)+0.28 ~ CD(91 days)+0.74 | 900,000 | 880,000 |
| Floating rate debentures in Korean won | CMS(5 years)+0.18 ~ CMS(5 years)+0.51 | 400,000 | 400,000 |
| Assets-backed debentures (Fixed rate debentures in Korean won) | 2.37 | 300,000 | 300,000 |
| Discount on debentures | | (7,129) | (7,047) |
| | | 14,652,871 | 13,652,953 |
| **Debentures in foreign currency** | | | |
| Fixed rate debentures in foreign currency[1] | 13.50 | 13,750 | - |
| Asset-backed debentures (Floating rate debentures in foreign currency)[2] | 1M Libor+0.5 ~ 1M Libor+1.15 | 879,467 | 926,240 |
| Assets-backed debentures (Fixed rate debentures in foreign currency)[3] | 1.05 ~ 2.01 | 330,588 | 236,650 |
| Discount on debentures | | (2,434) | (2,387) |
| | | 1,221,371 | 1,160,503 |
| | | ₩15,874,242 | ₩14,813,456 |

[1] Amounting to IDR 178 billion as at December 31, 2020.
[2] Amounting to USD 808 million and USD 800 million as at December 31, 2020 and 2019, respectively.
[3] Amounting to SGD 402.07 million and SGD 275.64 million as at December 31, 2020 and 2019.

### 17.2 The changes in debentures based on face value for the years ended December 31, 2020 and 2019 are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning | Issuances | Repayments | Business combination | Others | Ending |
| **Debentures in Korean won** | | | | | | |
| Fixed rate debentures in Korean won | ₩12,080,000 | ₩34,255,000 | ₩ (33,275,000) | ₩ - | ₩ - | ₩13,060,000 |
| Floating rate debentures in Korean won | 1,280,000 | 120,000 | (100,000) | - | - | 1,300,000 |
| Assets-backed debentures (Fixed rate debentures in Korean won) | 300,000 | - | - | - | - | 300,000 |
| | 13,660,000 | 34,375,000 | (33,375,000) | - | - | 14,660,000 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Debentures in foreign currency** | | | | | | |
| Fixed rate debentures in foreign currency | - | - | (31,323) | 46,892 | (1,819) | 13,750 |
| Asset-backed debentures (Floating rate debentures in foreign currency) | 926,240 | 329,725 | (303,333) | - | (73,165) | 879,467 |
| Assets-backed debentures (Fixed rate debentures in foreign currency) | 236,650 | 269,774 | (151,666) | - | (24,170) | 330,588 |
| | 1,162,890 | 599,499 | (486,322) | 46,892 | (99,154) | 1,223,805 |
| | ₩14,822,890 | ₩34,974,499 | ₩ (33,861,322) | ₩ 46,892 | ₩ (99,154) | ₩15,883,805 |

*(In millions of Korean won)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | **Beginning** | **Issuances** | **Repayments** | **Others** | **Ending** |
| **Debentures in Korean won** | | | | | |
| Fixed rate debentures in Korean won | ₩11,080,000 | ₩26,791,500 | ₩ (25,791,500) | ₩ - | ₩12,080,000 |
| Floating rate debentures in Korean won | 1,010,000 | 270,000 | - | - | 1,280,000 |
| Assets-backed debentures (Fixed rate debentures in Korean won) | 300,000 | - | - | - | 300,000 |
| | 12,390,000 | 27,061,500 | (25,791,500) | - | 13,660,000 |
| **Debentures in foreign currency** | | | | | |
| Asset-backed debentures (Floating rate debentures in foreign currency) | 447,240 | 471,600 | - | 7,400 | 926,240 |
| Assets-backed debentures (Fixed rate debentures in foreign currency) | 225,551 | - | - | 11,099 | 236,650 |
| | 672,791 | 471,600 | - | 18,499 | 1,162,890 |
| | ₩13,062,791 | ₩27,533,100 | ₩ (25,791,500) | ₩ 18,499 | ₩14,822,890 |

## 18. Provisions

### 18.1 The details of provisions as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | **Dec. 31, 2020** | **Dec. 31, 2019** |
|---|---|---|
| Provisions for unused loan commitments | ₩ 137,509 | ₩ 112,293 |
| Provisions for asset retirement obligation | 4,187 | 2,807 |
| Others | 40,447 | 38,333 |
| | ₩ 182,143 | ₩ 153,433 |

### 18.2 The changes in provisions for unused loan commitments for the years ended December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won)* | 2020 | | | |
|---|---|---|---|---|
| | 12-month expected credit losses | Lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Beginning | ₩ 66,191 | ₩ 36,789 | ₩ 9,313 | ₩ 112,293 |
| Transfer between stages | | | | |
| Transfer to 12-month expected credit losses | 15,590 | (13,970) | (1,620) | - |
| Transfer to lifetime expected credit losses | (6,245) | 6,576 | (331) | - |
| Impairment | (273) | (538) | 811 | - |
| Provision (reversal)[1] | 4,353 | 20,484 | 380 | 25,217 |
| Other changes | (1) | - | - | (1) |
| Ending | ₩ 79,615 | ₩ 49,341 | ₩ 8,553 | ₩ 137,509 |

[1] ₩7,712 million of provisions for unused loan commitments increases as a result of changing the forward-looking information due to the influence of COVID-19.

| *(In millions of Korean won)* | 2019 | | | |
|---|---|---|---|---|
| | 12-month expected credit losses | Lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Beginning | ₩ 57,775 | ₩ 40,021 | ₩ 8,795 | ₩ 106,591 |
| Transfer between stages | | | | |
| Transfer to 12-month expected credit losses | 17,360 | (16,173) | (1,187) | - |
| Transfer to lifetime expected credit losses | (3,235) | 3,440 | (205) | - |
| Impairment | (303) | (716) | 1,019 | - |
| Provision (reversal) | (5,406) | 10,217 | 891 | 5,702 |
| Ending | ₩ 66,191 | ₩ 36,789 | ₩ 9,313 | ₩ 112,293 |

### 18.3 The changes in provision for asset retirement obligation for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Beginning | ₩ | 2,807 | ₩ | 2,520 |
| Increase | | 581 | | 240 |
| Business combination | | 565 | | - |
| Used | | (616) | | (113) |
| Unwinding of discount | | 80 | | 75 |
| Readjustment effect | | 770 | | 85 |
| Ending | ₩ | 4,187 | ₩ | 2,807 |

Asset retirement obligation liabilities are the best estimate cost which is discounted to the present value at an appropriate discount rate to be incurred for restoration of the leased properties. Payment of asset retirement obligation liabilities are expected to arise at the end of each lease contract.

### 18.4 The changes in other provisions for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Credit card point program | | Litigations | | Others | | Total |
| Beginning | ₩ | 13,085 | ₩ | 3,046 | ₩ | 22,202 | ₩ | 38,333 |
| Increase | | 75,409 | | 124 | | 4,953 | | 80,486 |
| Decrease | | (71,233) | | (2,508) | | (4,631) | | (78,372) |
| Ending | ₩ | 17,261 | ₩ | 662 | ₩ | 22,524 | ₩ | 40,447 |

*(In millions of Korean won)*

| | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Credit card point program | | Litigations | | Others | | Total |
| Beginning | ₩ | 10,803 | ₩ | 11,249 | ₩ | 12,992 | ₩ | 35,044 |
| Increase | | 56,697 | | 1,164 | | 12,597 | | 70,458 |
| Decrease | | (54,415) | | (9,367) | | (3,387) | | (67,169) |
| Ending | ₩ | 13,085 | ₩ | 3,046 | ₩ | 22,202 | ₩ | 38,333 |

## 19. Net Defined Benefit Liabilities (Assets)

### 19.1 Defined Benefit Plans

The Group operates defined benefit plans which have the following characteristics:

- The Group has the obligation to pay the agreed benefit to all its employees.
- The Group is substantially liable for actuarial risk (benefits will cost more than expected) and investment risk.

The present value of defined benefit obligation is calculated using the Projected Unit Credit method (the ‘PUC’) by independent actuaries. The present value of the defined benefit obligation is presented by currency to be paid and determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized in the period incurred through other comprehensive income (loss).

Actuarial assumptions may differ from actual result such as change in the market, economic trend and mortality trend which may impact defined benefit obligation and future payments. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the period that the change has incurred through other comprehensive income (loss).

### 19.2 The details of the net defined benefit liabilities (assets) as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Present value of defined benefit liability | ₩ 166,161 | ₩ 136,982 |
| Fair value of plan assets | (159,918) | (137,928) |
| Net defined benefit liabilities (assets) | ₩ 6,243 | ₩ (946) |

**19.3 The changes in the net defined benefit obligation (assets) for the years ended December 31, 2020 and 2019, are as follows:**

*(In millions of Korean won)*

| | 2020 | | |
|---|---|---|---|
| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities |
| Beginning | ₩ 136,982 | ₩ (137,928) | ₩ (946) |
| Current service cost | 16,006 | - | 16,006 |
| Interest cost (income) | 2,722 | (2,741) | (19) |
| Remeasurements | | | |
| Return on plan assets | - | 419 | 419 |
| Gains from change in demographic assumptions | (97) | - | (97) |
| Losses from change in financial assumptions | 2,631 | - | 2,631 |
| Experience losses | 7,643 | - | 7,643 |
| Transfer from related parties | 1,332 | (1,332) | - |
| Transfer to related parties | (508) | 508 | - |
| Payments from plans | (4,887) | 4,887 | - |
| Payments from the Group | (5,139) | - | (5,139) |
| Contributions from the Group | - | (23,736) | (23,736) |
| Effect of exchange rate changes | (452) | 5 | (447) |
| Business combination | 9,928 | - | 9,928 |
| Ending | ₩ 166,161 | ₩ (159,918) | ₩ 6,243 |

*(In millions of Korean won)*

| | 2019 | | |
|---|---|---|---|
| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities |
| Beginning | ₩ 119,555 | ₩ (118,138) | ₩ 1,417 |
| Current service cost | 14,533 | - | 14,533 |
| Interest cost (income) | 2,732 | (2,699) | 33 |
| Remeasurements | | | |
| Return on plan assets | - | 935 | 935 |
| Gains from change in demographic assumptions | (114) | - | (114) |
| Losses from change in financial assumptions | 4,245 | - | 4,245 |
| Experience gains | (13) | - | (13) |
| Transfer from related parties | 598 | (598) | - |

| | | | |
|---|---|---|---|
| Transfer to related parties | (498) | 498 | - |
| Payments from plans | (2,297) | 2,297 | - |
| Payments from the Group | (1,759) | - | (1,759) |
| Contributions from the Group | - | (20,223) | (20,223) |
| Ending | ₩ 136,982 | ₩ (137,928) | ₩ (946) |

### 19.4 Remeasurements of the net defined benefit liability recognized as other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | 2019 |
|---|---|---|
| Remeasurements | | |
| Return on plan assets | ₩ (419) | ₩ (935) |
| Actuarial losses by changes in demographic assumptions | 96 | 114 |
| Actuarial gains by changes in financial assumptions | (2,631) | (4,245) |
| Actuarial gains (losses) by experience adjustments | (7,643) | 13 |
| Income tax effects | 2,914 | 1,390 |
| Remeasurements after income tax | ₩ (7,683) | ₩ (3,663) |

### 19.5 Plan assets as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Posted price | Unposted price | Total | Ratio(%) | Posted price | Unposted price | Total | Ratio(%) |
| Time deposit | ₩ - | ₩159,675 | ₩159,675 | 99.85 | ₩ - | ₩137,928 | ₩137,928 | 100.00 |
| Others | - | 243 | 243 | 0.15 | - | - | - | - |

### 19.6 The details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | 2019 |
|---|---|---|
| Current service cost | ₩ 16,006 | ₩ 14,533 |
| Net interest cost | (19) | 33 |
| | ₩ 15,987 | ₩ 14,566 |

### 19.7 The principal actuarial assumptions used as at December 31, 2020 and 2019, are as follows:

| | 2020 | 2019 |
|---|---|---|
| Discount rate(%)[1] | 2.00 | 2.00 |
| Future salary increase rate(%)[1] | 3.79 | 3.61 |
| Future turnover(%)[1] | 1.44 | 1.37 |

[1] Excludes overseas subsidiaries from the above actuarial assumptions.

**19.8 The sensitivity of the overall pension liability to changes in the weighted principal assumptions as at December 31, 2020 and 2019, is as follows:**

| | 2020 | | |
|---|---|---|---|
| | Effect on net defined benefit liability (asset) | | |
| | Change in principal assumption | Increase in principal assumption | Decrease in principal assumption |
| Discount rate(%)[1] | 0.50 | (4.30) | 4.61 |
| Salary increase rate(%)[1] | 0.50 | 4.76 | (4.49) |
| Turnover(%)[1] | 0.50 | (0.47) | 0.50 |

| | 2019 | | |
|---|---|---|---|
| | Effect on net defined benefit liability (asset) | | |
| | Change in principal assumption | Increase in principal assumption | Decrease in principal assumption |
| Discount rate(%)[1] | 0.50 | (4.50) | 4.84 |
| Salary increase rate(%)[1] | 0.50 | 5.00 | (4.70) |
| Turnover(%)[1] | 0.50 | (0.48) | 0.51 |

[1] Excludes overseas subsidiaries from the above sensitivity analysis.

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

**19.9 The Group's best estimate of contributions expected to be paid in 2020 amounts to ₩16,832 million.**

**19.10 Actual return on plan assets amounted to ₩2,322 million and ₩1,766 million for the years ended December 31, 2020 and 2019, respectively.**

**19.11 Expected weighted average duration of the defined benefit obligation as at December 31, 2020 and 2019 is 9.1 years (subsidiaries: 20.79 years) and 9.5 years.**

**19.12 Expected maturity analysis of discounted pension benefits as at December 31, 2020 and 2019, is as follows:**

| *(In millions of Korean won)* | | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Between 5 and 10 years | Over 10 years | Total |
|---|---|---|---|---|---|---|---|
| Pension benefits | **2020** | ₩ 5,654 | ₩ 15,378 | ₩ 41,086 | ₩ 98,144 | ₩ 386,581 | ₩546,843 |
| | **2019** | 1,763 | 11,113 | 31,522 | 76,572 | 269,331 | 390,301 |

## 20. Other Liabilities

### 20.1 The details of other liabilities, as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | |
|---|---|---|---|
| | Other financial liabilities | Other non-financial liabilities | Total |
| **Other liabilities** | | | |
| Other payables | ₩ 1,877,055 | ₩ 121,394 | ₩ 1,998,449 |
| Prepaid card | 30,105 | - | 30,105 |
| Unearned revenue | - | 72,937 | 72,937 |
| Accrued expenses | 160,418 | 27,465 | 187,883 |
| Deferred revenue on credit card points | - | 211,530 | 211,530 |
| Guarantee deposits | 20,157 | - | 20,157 |
| Withholdings | 74,753 | 6,300 | 81,053 |
| Insurance liabilities | - | 3,322 | 3,322 |
| Lease liabilities | 18,856 | - | 18,856 |
| Others | - | 4,812 | 4,812 |
| | ₩ 2,181,344 | ₩ 447,760 | ₩ 2,629,104 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | |
|---|---|---|---|
| | Other financial liabilities | Other non-financial liabilities | Total |
| **Other liabilities** | | | |
| Other payables | ₩ 2,050,983 | ₩ 77,305 | ₩ 2,128,288 |
| Prepaid card | 25,517 | - | 25,517 |
| Unearned revenue | - | 69,870 | 69,870 |
| Accrued expenses | 181,160 | 26,283 | 207,443 |
| Deferred revenue on credit card points | - | 205,903 | 205,903 |
| Guarantee deposits | 18,580 | - | 18,580 |
| Withholdings | 98,066 | 7,445 | 105,511 |
| Insurance liabilities | - | 3,407 | 3,407 |
| Lease liabilities | 26,633 | - | 26,633 |
| Others | - | 7,021 | 7,021 |
| | ₩ 2,400,939 | ₩ 397,234 | ₩ 2,798,173 |

### 20.2 Changes in deferred revenue on credit card points for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | 2019 |
|---|---|---|
| Beginning | ₩ 205,903 | ₩ 187,176 |
| Increase | 348,250 | 304,691 |
| Decrease | (342,623) | (285,964) |
| Ending | ₩ 211,530 | ₩ 205,903 |

### 20.3 Insurance liabilities

20.3.1 The changes in insurance liabilities for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Insurance liabilities | | | Reinsurance assets | | |
| | Reserve for outstanding claims | Unearned premium reserve | Total | Reserve for outstanding claims | Unearned premium reserve | Total |
| Beginning | ₩ 2,564 | ₩ 843 | ₩ 3,407 | ₩ 2,564 | ₩ 843 | ₩ 3,407 |
| Provision (reversal) | (136) | 51 | (85) | (136) | 51 | (85) |
| Ending | ₩ 2,428 | ₩ 894 | ₩ 3,322 | ₩ 2,428 | ₩ 894 | ₩ 3,322 |

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Insurance liabilities | | | Reinsurance assets | | |
| | Reserve for outstanding claims | Unearned premium reserve | Total | Reserve for outstanding claims | Unearned premium reserve | Total |
| Beginning | ₩ 3,418 | ₩ 982 | ₩ 4,400 | ₩ 3,418 | ₩ 982 | ₩ 4,400 |
| Reversal | (854) | (139) | (993) | (854) | (139) | (993) |
| Ending | ₩ 2,564 | ₩ 843 | ₩ 3,407 | ₩ 2,564 | ₩ 843 | ₩ 3,407 |

20.3.2 Insurance-related income and insurance-related expense for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **Insurance-related income** | | | | |
| Insurance premium earned | ₩ | 19,836 | ₩ | 23,080 |
| Reinsurance revenue | | 4,068 | | 4,801 |
| Increase in reinsurance assets/ decrease in insurance liabilities | | 85 | | 993 |
| | ₩ | 23,989 | ₩ | 28,874 |

*(In millions of Korean won)*

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **Insurance-related expenses[1]** | | | | |
| Reinsurance premium paid | ₩ | 5,944 | ₩ | 6,640 |
| Insurance expenses | | 4,068 | | 4,801 |
| Increase in insurance liabilities/ decrease in insurance assets | | 85 | | 993 |
| | ₩ | 10,097 | ₩ | 12,434 |

[1] Solicitation and entrustment commission expenses for the years ended December 31, 2020 and 2019, amounting to ₩609 million and ₩692 million, are not included.

## 21. Equity

### 21.1 Share Capital

The details of outstanding shares of the Group as at December 31, 2020 and 2019, are as follows:

| | | Dec. 31, 2020 | | Dec. 31, 2019 |
|---|---|---|---|---|
| Number of shares authorized | | 360,000,000 | | 360,000,000 |
| Number of shares issued | | 92,000,000 | | 92,000,000 |
| Par value per share *(in Korean won)* | ₩ | 5,000 | ₩ | 5,000 |
| Capital stock[1] | | 460,000 | | 460,000 |

[1] In millions of Korean won.

### 21.2 Capital Surplus

The details of capital surplus as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Share premium | ₩ 1,976,820 | ₩ 1,976,820 |
| Other capital surplus | 167 | - |
| | ₩ 1,976,987 | ₩ 1,976,820 |

### 21.3 Accumulated Other Comprehensive Income (Loss)

The details of accumulated other comprehensive income (loss) as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Remeasurements of net defined benefit assets | ₩ (25,379) | ₩ (17,696) |
| Net gains on equity instruments measured at fair value through other comprehensive income | 41,132 | 50,127 |
| Shares of other comprehensive income of associates | (727) | (357) |
| Valuation of Cash flow hedges | (7,024) | (12,966) |
| Exchange differences on translating foreign operations | (5,458) | (50) |
| | ₩ 2,544 | ₩ 19,058 |

The changes in accumulated other comprehensive income (loss) for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning | Increase (decrease) | Reclassification | Tax effect | Non-controlling interest | Ending |
| Remeasurements of net defined benefit liabilities (assets) | ₩ (17,696) | ₩ (10,597) | ₩ - | ₩ 2,914 | ₩ - | ₩ (25,379) |
| Change in value of financial instruments measured at fair value through other comprehensive income | 50,127 | (12,407) | - | 3,412 | - | 41,132 |
| Shares of other comprehensive loss of associates | (357) | (648) | - | 278 | - | (727) |
| Cash flow hedges | (12,966) | (90,124) | 98,099 | (2,033) | - | (7,024) |
| Exchange differences on translating foreign operations | (50) | (7,849) | - | 2,175 | 266 | (5,458) |
| | ₩ 19,058 | ₩ (121,625) | ₩ 98,099 | ₩ 6,746 | ₩ 266 | ₩ 2,544 |

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning | Increase (decrease) | Reclassification | Tax effect | Non-controllir interest | Ending |
| Remeasurements of net defined benefit liabilities (assets) | ₩ (14,033) | ₩ (5,053) | ₩ - | ₩ 1,390 | ₩ - | ₩ (17,696) |
| Change in value of financial instruments measured at fair value through other comprehensive income | 50,878 | (1,036) | - | 285 | - | 50,127 |
| Shares of other comprehensive loss of associates | (268) | (89) | - | - | - | (357) |
| Valuation of Cash flow hedges | (7,156) | 9,760 | (17,574) | 2,004 | - | (12,966) |
| Exchange differences on translating foreign operations | (68) | 14 | - | - | 4 | (50) |
| | ₩ 29,353 | ₩ 3,596 | ₩ (17,574) | ₩ 3,679 | ₩ 4 | ₩19,058 |

### 21.4 Retained earnings

21.4.1 Retained earnings as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Legal reserve[1] | ₩ 123,016 | ₩ 113,015 |
| Regulatory reserve for credit losses | 742,978 | 609,200 |
| Reserve for liabilities on electronic financial incidents | 1,000 | 1,000 |
| Reserve for liabilities on credit card incidents | 2,000 | 2,000 |
| Unappropriated retained earnings | 962,495 | 881,616 |
| | ₩ 1,831,489 | ₩ 1,606,831 |

[1] The Commercial Code of the Republic of Korea requires the Group to appropriate for each financial period, as a legal 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 dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit in accordance with a resolution of the shareholders' meeting.

21.4.2 Regulatory Reserve for Credit Losses

Regulatory reserve for credit losses is required to be calculated and disclosed by the Article 11 of Regulation on Supervision of credit-specialized financial business

21.4.2.1 The details of the regulatory reserve for credit losses as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| Beginning | ₩ | 742,978 | ₩ | 609,200 |
| Expected Provision of regulatory reserve for credit losses | | 41,541 | | 133,778 |
| Ending | ₩ | 784,519 | ₩ | 742,978 |

21.4.2.2 The regulatory provision for credit losses and profit after regulatory for credit losses for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Profit for the year attributable to owner of the Parent Company | ₩ | 324,662 | ₩ | 316,546 |
| Provision of regulatory reserve for credit losses, scheduled credit losses | | (41,541) | | (133,778) |
| Adjusted profit after provision of regulatory reserve for credit losses[1] | ₩ | 283,121 | ₩ | 182,768 |

[1] Adjusted profit after provision of regulatory reserve for credit losses is not in accordance with Korean IFRS and calculated on the assumption that provision or reversal of regulatory reserve for credit losses before income tax is adjusted to the net income.

21.4.2.3 The earnings per share and adjusted earnings per share after provision of regulatory for credit losses for the years ended December 31, 2020 and 2019, are as follows:

*(In Korean won)*

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Earnings per share for the year[1] | ₩ | 3,529 | ₩ | 3,411 |
| Adjusted earnings per share after provision of regulatory reserve for credit losses[2] | | 3,077 | | 1,987 |

[1] Earnings per share: Profit for the year ₩(324,662,372,854)/ the number of ordinary shares outstanding (92,000,000 shares) = ₩3,592

[2]Adjusted earnings per share after provision of regulatory reserve for credit losses: Adjusted profit after provision of regulatory for credit losses for the year ₩(283,121,292,258)/ the number of ordinary shares outstanding (92,000,000 shares) = ₩3,077

21.4.3 Pursuant to the Article 9 of Electronic Financial Transactions Act, the Group is categorized as a financial institution that is required to enter into insurance policies or mutual aid associations or appropriate reserves, as necessary. Accordingly, the Group appropriated retained earnings as discretionary reserve with the approval of shareholder's meeting on March 2014.

21.4.4 Pursuant to the Article 16 of Specialized Credit Finance Business Act, the Group is categorized as a financial institution that is required to enter into insurance policies or mutual aid associations or appropriate reserves, as necessary. Accordingly, the Group appropriated retained earnings as discretionary reserve with the approval of shareholder's meeting on March 2016.

21.4.5 The dividends paid to the shareholders of the Group in 2020 and 2019 were ₩100,004 million (₩1,087 per share) and ₩200,008 million (₩2,174 per share), respectively. The dividends to the shareholders on respect if the year ended December 31, 2020 amounting to total dividends of ₩200,008 million (₩2,174 per share), is to be proposed at the annual general meeting on March 25, 2021. The Group's financial statements as at December 31, 2020 do not reflect this dividend payable.

## 22. Net Interest Income

Interest income, interest expense and net interest income for the years ended December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won)* | 2020 | 2019 |
|---|---|---|
| **Interest income** | | |
| Due from financial institutions measured at fair value through profit or loss | ₩ 557 | ₩ 2,030 |
| Short-term financial instruments measured at fair value through profit or loss (interest) | 4,957 | 8,782 |
| Securities measured at fair value through profit or loss | 110 | - |
| Due from financial institutions measured at amortized cost | 853 | 798 |
| Loans measured at amortized cost | 1,619,854 | 1,565,288 |
| Securities measured at amortized cost | 248 | 177 |
| Other | 5,018 | 4,472 |
| | 1,631,597 | 1,581,547 |
| **Interest expense** | | |
| Debts | 27,672 | 17,794 |
| Debentures | 334,003 | 328,868 |
| Others[1] | 4,142 | 4,228 |
| | 365,817 | 350,890 |
| **Net interest income** | ₩ 1,265,780 | ₩ 1,230,657 |

[1]Includes interest expense from lease liabilities of ₩516 million and ₩693 million for the years ended December 31, 2020 and 2019, respectively.

Interest income recognized on impaired loans amounts to ₩33,614 million and ₩28,615 million for the years ended December 31, 2020 and 2019, respectively.

## 23. Net Fee and Commission Income

Fee and commission income, fee and commission expense, and net fee and commission income for the years ended December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won)* | | 2020 | | 2019 |
|---|---|---|---|---|
| **Fee and commission income** | | | | |
| Loans[1] | ₩ | 1,829,640 | ₩ | 1,741,066 |
| Check cards | | 348,120 | | 371,074 |
| Others | | 112,855 | | 111,478 |
| Deduction of income[2] | | (804,070) | | (817,380) |
| | | 1,486,545 | | 1,406,238 |
| **Fee and commission expense** | | | | |
| Loans[3] | | 1,652,952 | | 1,738,701 |
| Check cards[3] | | 6,988 | | 8,387 |
| Others | | 229,373 | | 214,755 |
| Deduction of expense[2] | | (804,070) | | (817,380) |
| | | 1,085,243 | | 1,144,463 |
| **Net fee and commission income** | ₩ | 401,302 | ₩ | 261,775 |

[1] The Group provides the cardholder with the customer option in relation to points granted and determines that the Group has control on such matter as a principal. If the Group determines that the Group arranges for goods or services to the customers by the merchant and accounts for it in net amount, fees and commission income decreases by ₩372,993 million and other operating expense decreases by ₩372,993 million for the year ended December 31, 2020.
[2] The amount deducted is in accordance with Korean IFRS No. 1115.
[3] Joint marketing expenses for loans and check cards have been included as part of loans commission expense.

## 24. Net Gain on Financial Instruments Measured at Fair Value through Profit or Loss

Net gain or loss from financial instruments measured at fair value through profit or loss includes dividend income, gains or losses arising from changes in the fair values, sales and redemptions. Details of net gain or loss from financial instruments measured at fair value through profit or loss for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **Revenue from financial instruments measured at fair value through profit or loss** | | | | |
| **Financial assets measured at fair value through profit or loss** | | | | |
| Equity securities | ₩ | 4,513 | ₩ | 13 |
| Short-term financial instruments (non-interest bearing) | | 1,423 | | 540 |
| | | 5,936 | | 553 |
| **Expense from financial instruments measured at fair value through profit or loss** | | | | |
| **Financial assets measured at fair value through profit or loss** | | | | |
| Equity securities | | 57 | | 173 |
| Debt securities | | 85 | | 9 |
| | | 142 | | 182 |
| **Net gain on financial instruments measured at fair value through profit or loss** | ₩ | 5,794 | ₩ | 371 |

## 25. Other Operating Income and Expense

The details of other operating income and expense for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **Other operating income** | | | | |
| Revenue related to securities measured at fair value through other comprehensive income | | | | |
| Dividend income | ₩ | 3,732 | ₩ | 3,117 |
| Insurance-related income | | 23,989 | | 28,874 |
| Others | | 58,782 | | 81,857 |
| | | 86,503 | | 113,848 |
| **Other operating expense** | | | | |
| Credit card point-related costs | | 373,380 | | 313,309 |
| Insurance-related expense | | 10,706 | | 13,126 |
| Others | | 20,542 | | 19,180 |
| | | 404,628 | | 345,615 |

| | | |
|---|---|---|
| **Net other operating expense** | ₩ (318,125) | ₩ (231,767) |

## 26. Operating Profit

The details of operating profit for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | 2019 |
|---|---|---|
| **Operating revenue** | | |
| Interest income | ₩ 1,631,597 | ₩ 1,581,547 |
| Fee and commission income | 1,486,545 | 1,406,238 |
| Income from financial instruments measured at fair value through profit or loss | 5,936 | 553 |
| Other operating income | 86,503 | 113,848 |
| | 3,210,581 | 3,102,186 |
| **Operating expense** | | |
| Interest expense | 365,817 | 350,890 |
| Fee and commission expense | 1,085,243 | 1,144,463 |
| Provision for credit losses | 396,376 | 439,765 |
| General and administrative expenses | 514,845 | 441,920 |
| Expense from financial instruments measured at fair value through profit or loss | 142 | 182 |
| Other operating expenses | 404,628 | 345,615 |
| | 2,767,051 | 2,722,835 |
| **Operating profit** | ₩ 443,530 | ₩ 379,351 |

## 27. General and Administrative Expense

### 27.1 The details of general and administrative expense for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **Employee Benefits** | | | | |
| Salaries and short-term employee benefits - Salaries | ₩ | 186,548 | ₩ | 168,145 |
| Salaries and short-term employee benefits - Others | | 47,744 | | 45,478 |
| Postemployment benefits - Defined benefit plans | | 15,987 | | 14,566 |
| Postemployment benefits - Defined contribution plans | | 108 | | 11 |
| Termination benefits | | 21,116 | | 5,672 |
| Share-based payments | | 2,571 | | 2,449 |
| | | 274,074 | | 236,321 |
| **Depreciation and amortization** | | 110,402 | | 85,586 |
| **Other general and administrative expenses** | | | | |
| Supplies | | 2,286 | | 1,007 |
| Advertising expenses | | 1,223 | | 1,183 |
| Tax and dues | | 26,149 | | 25,455 |
| Communications | | 4,669 | | 4,255 |
| Welfare expense | | 2,888 | | 3,565 |
| EDPS expenses | | 65,749 | | 58,034 |
| Rental expense | | 10,166 | | 9,025 |
| Service fees | | 5,684 | | 5,428 |
| Publication | | 1,680 | | 1,423 |
| Others | | 9,875 | | 10,638 |
| | | 130,369 | | 120,013 |
| | ₩ | 514,845 | ₩ | 441,920 |

### 27.2 Share- Based Payment arrangements

KB Financial Group Inc., the parent company, entered into an agreement with the directors of the Group for stock grants. The Group and KB Financial Group Inc. settle the accrued expense according to the agreement. Also, the Group recorded annual compensation costs as employee benefits.

Stock grant is an incentive plan that sets maximum number of shares to be granted and grants shares upon achievement of goals. KB Financial Group Inc. has the power to decide whether to settle in cash or by issuing equity instruments of KB Financial Group Inc. for share-based payment at the date of settlement.

27.2.1 Details of stock grants linked to long-term performance as at December 31, 2020, are as follows:

*(In shares)*

| Series | Grant date | Number of granted shares[1] | Vesting conditions |
|---|---|---|---|
| Series 19-1 | 2019.01.01 | 21,630 | Service fulfillment, achievements of targets on the basis of market and non-market performance[2] |
| Series 19-3 | 2019.04.01 | 2,152 | Service fulfillment, achievements of targets on the basis of market and non-market performance[2] |
| Series 20-1 | 2020.01.01 | 61,306 | Service fulfillment, achievements of targets on the basis of market and non-market performance[2] |
| Deferred payment confirmed | - | 72 | Requirements fulfilled in 2015 |
| | - | 1,530 | Requirements fulfilled in 2016 |
| | - | 9,345 | Requirements fulfilled in 2017 |
| | - | 6,862 | Requirements fulfilled in 2018 |
| | - | 15,399 | Requirements fulfilled in 2019 |

[1] Total number of shares initially granted to directors unperformed as at December 31, 2020. (However, deferred payment confirmed shares represent the total unperformed number of shares as at December 31, 2020.)

[2] 20%, 30%, and 50% of the shares to be granted are determined based on the targeted relative TSR, the performance of the Group, and the performance results, respectively. In addition, portion of 100% of the shares to be granted are determined based on the performance results.

27.2.2 Short-term performance-related stock grants as at December 31, 2020, are as follows:

*(In shares)*

| Series | Grant date | Estimated number of vested shares[1] | Vesting conditions |
|---|---|---|---|
| Stock grant in 2015 | 2015.01.01 | 5,668 | Requirements fulfilled |
| Stock grant in 2016 | 2016.01.01 | 11,466 | Requirements fulfilled |
| Stock grant in 2017 | 2017.01.01~ 2017.04.28 | 10,921 | Requirements fulfilled |
| Stock grant in 2018 | 2018.01.01 | 24,067 | In proportion to service period |
| Stock grant in 2019 | 2019.01.01~ 2019.04.01 | 27,895 | In proportion to service period |
| Stock grant in 2020 | 2020.01.01~ 2020.04.28 | 35,556 | In proportion to service period |

[1] Options of short-term performance-related pay which is determined in relation to the performance in the current period are given on deferred payment time (after retirement), percentage and period. According to this, certain proportion of granted shares are to be paid for maximum five years after retirement.

27.2.3 Stock grants given to directors are measured at fair value using Monte Carlo Simulation Model and assumptions used in determining the fair value as at December 31, 2020, are as follows:

*(In Korean won)*

| Series | Risk-free rate(%) | Fair value(Market performance condition) | Fair value(Non-market performance condition) |
|---|---|---|---|
| **Long-term performance-related type** | | | |
| 19-1 | 0.74 | ₩ 38,789 ~ 45,096 | ₩ 38,789 ~ 45,096 |
| 19-2 | 0.74 | 37,324 ~ 41,899 | 37,324 ~ 41,899 |
| 20-1 | 0.74 | 37,324 ~ 41,899 | 37,324 ~ 41,899 |
| FY2015 Deferred payment confirmed | 0.74 | - | 45,096 ~ 45,096 |
| FY2016 Deferred payment confirmed | 0.74 | - | 37,324 ~ 45,096 |
| FY2017 Deferred payment confirmed | 0.74 | - | 34,581 ~ 45,096 |
| FY2018 Deferred payment confirmed | 0.74 | - | 35,895 ~ 45,096 |
| FY2019 Deferred payment confirmed | 0.74 | - | 34,581 ~ 45,096 |
| **Short-term performance-related type** | | | |
| Granted in 2015 | 0.74 | - | 37,324 ~ 45,096 |
| Granted in 2016 | 0.74 | - | 34,581 ~ 45,096 |
| Granted in 2017 | 0.74 | - | 34,581 ~ 45,096 |
| Granted in 2018 | 0.74 | - | 34,581 ~ 45,096 |
| Granted in 2019 | 0.74 | - | 34,581 ~ 45,096 |
| Granted in 2020 | 0.74 | - | 37,324 ~ 42,975 |

Meanwhile, the Group determined the fair value by using historical stock price volatility with the same period as the exercisable period for expected volatility and the current stock price of December 31, 2020, for the underlying asset price. Additionally, the average three-year historical dividend rate was used as expected dividend rate.

27.2.4 The Group recognized expense amounting to ₩2,571 million and ₩2,449 million as compensation cost for the years ended December 31, 2020 and 2019, respectively. The compensation cost amounting to ₩8,194 million and ₩7,188 million were recorded as long-term accrued expenses to KB Financial Group Inc. as at December 31, 2020 and 2019, respectively.

## 28. Other Non-operating Income and Expense

The details of other non-operating income and expense for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **Non-operating income** | | | | |
| Gain on sale of property and equipment | ₩ | 737 | ₩ | 3 |
| Rental income | | 152 | | 119 |
| Other non-operating incomes | | 3,029 | | 3,565 |
| | | 3,918 | | 3,687 |
| **Non-operating expense** | | | | |
| Loss on sale of property and equipment | | 8 | | 2 |
| Loss on sale of intangible assets | | - | | 1 |
| Impairment losses on Intangible assets | | - | | 1,079 |
| Donation | | 6,181 | | 5,466 |
| Other non-operating expenses | | 4,367 | | (6,223) |
| | | 10,556 | | 325 |
| **Net other non-operating income (expense)** | ₩ | (6,638) | ₩ | 3,362 |

## 29. Income Tax Expense

### 29.1 The details of income tax expense for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **Tax payable** | ₩ | 131,559 | ₩ | 98,823 |
| Current tax expense | | 131,453 | | 98,437 |
| Adjustments to the income tax expense for prior years | | 106 | | 386 |
| **Change in deferred income tax liabilities due to temporary differences** | | (28,498) | | (11,186) |
| **Income tax expense recognized directly in equity** | | 6,744 | | 3,679 |
| Change in value of financial assets measured at fair value through other comprehensive income | | 3,412 | | 285 |
| Cash flow hedges | | (2,033) | | 2,004 |
| Remeasurement of net defined benefit liabilities | | 2,914 | | 1,390 |
| Shares of other comprehensive income of associates | | 276 | | - |
| Exchange differences on translating foreign operations | | 2,070 | | - |
| Related to non-controlling interests | | 105 | | - |
| **Consolidated tax effect** | | 3,973 | | 3,876 |
| **Others** | | 249 | | (27,930) |
| **Income tax expense** | ₩ | 114,027 | ₩ | 67,262 |

### 29.2 The analyses of profit before income tax expense and income tax expense for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **Profit before income tax expense (A)** | ₩ | 438,020 | ₩ | 383,819 |
| Tax expense calculated by applied tax rate[1] | | 110,094 | | 95,188 |
| Non-taxable income | | (318) | | (3,484) |
| Non-taxable expense | | 365 | | 918 |
| Tax credit and tax exemption | | (160) | | (245) |
| Consolidated tax effect | | 3,973 | | 3,876 |
| Others | | 73 | | (28,991) |
| **Income tax expense (B)[2]** | ₩ | 114,027 | ₩ | 67,262 |
| **Effective tax rate (B/A)** | | 26.03% | | 17.52% |

[1] Applicable income tax rate for ₩ 200 million and below is 11%, over ₩200 million but not over ₩20 billion is 22%, and over ₩20 billion is 24.2% and over ₩300 billion is 27.5%, which is composed of corporate tax and local tax.
[2] As a result of claiming for tax rectification and reinvestigation, reversal for tax expense ₩28,695 million is included for the year ended December 31, 2019.

## 30. Statement of Cash Flow

### 30.1 Cash and cash equivalents as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | Dec. 31, 2020 | | Dec. 31, 2019 |
|---|---|---|---|---|
| Cash | ₩ | 1,685 | ₩ | 24 |
| Due from financial institutions | | 281,479 | | 235,677 |
| | | 283,164 | | 235,701 |
| Restricted due from financial institutions[1] | | (142,817) | | (71,106) |
| Due from financial institutions with original maturities over three months | | (4,490) | | (29,311) |
| | ₩ | 135,857 | ₩ | 135,284 |

[1] The amounts are composed of deposits restricted due from financial institutions (Note 7).

### 30.2 Significant non-cash activities for the years December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Decrease in loans measured at amortized cost due to the write-offs | ₩ | 526,644 | ₩ | 518,615 |
| Decrease in advances due to acquisition of investments in subsidiaries | | 19,423 | | - |

### 30.3 Cash inflow and outflow due to income tax, interest and dividends for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Activities | | 2020 | | 2019 |
|---|---|---|---|---|---|
| Income tax received | Operating | ₩ | 682 | ₩ | 28,705 |
| Income tax paid | Operating | | 100,418 | | 89,443 |
| Interest received | Operating | | 1,570,085 | | 1,510,072 |
| Interest paid | Operating | | 356,332 | | 353,733 |
| Dividends received | Operating | | 8,245 | | 3,129 |
| Dividends paid | Financing | | 100,004 | | 200,008 |

### 30.4 Changes in liabilities arising from financing activities for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | |
|---|---|---|---|---|---|
| | | | Non-cash changes | | |
| | Beginning | Net cash flows | Changes in fair value | Other changes | Ending |
| Debts[1] | ₩ 1,129,151 | ₩ (271,239) | ₩ - | ₩ 130,931 | ₩ 988,843 |
| Debentures[2,3] | 14,825,241 | 1,103,550 | (901) | 54,572 | 15,982,462 |
| Others[4] | 45,860 | (14,943) | - | (12,061) | 18,856 |
| | ₩ 16,000,252 | ₩ 817,368 | ₩ (901) | ₩ 173,442 | ₩16,990,161 |

*(In millions of Korean won)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | | | Non-cash changes | | |
| | Beginning | Net cash flows | Changes in fair value | Other changes | Ending |
| Debts[1] | ₩ 620,126 | ₩ 508,310 | ₩ - | ₩ 715 | ₩ 1,129,151 |
| Debentures[2,3] | 13,077,353 | 1,729,534 | 6,528 | 11,826 | 14,825,241 |
| Others[4] | 49,097 | (13,510) | - | 10,273 | 45,860 |
| | ₩ 13,746,576 | ₩ 2,224,334 | ₩ 6,528 | ₩ 22,814 | ₩ 16,000,252 |

[1] Net changes of debts includes net increase of debts amounting to ₩26,939 million and ₩126,166 million of KB Daehan Specialized Bank and KB FMF, respectively, for the year ended December 31, 2020. The Group's subsidiary, KB Daehan Specialized Bank's Increase of debts excluding overdraft ₩69,025 million for the year ended December 31, 2019 is included.
[2] Net decrease in debentures of KB FMF amounting to ₩33,115 million is included in debentures for the year ended December 31, 2020.
[3] Amounts of derivatives held for hedging purposes are included.
[4] Beginning amount for 2020 includes adjustments from adoption of Korean IFRS No. 1116.

## 31. Contingent Liabilities and Commitments

### 31.1 Loan commitments as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Unused credit cards commitment | ₩ 65,497,836 | ₩ 60,829,265 |
| Finance lease commitment | 103,287 | 152,110 |
| Purchase of securities | 6,700 | 9,650 |
| Others | 139 | 533 |
| | ₩ 65,607,962 | ₩ 60,991,558 |

### 31.2 Other Matters (Litigation and others)

31.2.1 The Group manages written-off loans whose claims against the debtors remain because the statute of limitations has not closed or the loans have not collected since the written-off. The written-off loans as at December 31, 2020 and 2019 are ₩1,922,107 million and ₩1,747,871 million, respectively.

31.2.2 For KB Kookmin Asset-Backed Security, which is trust-type ABS, trustee has a right to demand the Group to entrust additional assets to itself if the eligible securitized assets are below the eligible pool balance requirement. Pursuant to the Trust Agreement and other agreements, the Group has an obligation to early redeem the ABS, in cases that outstanding balance of the eligible securitized assets falls below the eligible pool balance requirement at each settlement period or the net yield of the securitized assets is less than certain level for three consecutive settlement periods. The Group provides Investor Interest distributed from the trust as collateral for the ABS. The Group has entered into the Servicing Agreement with Special Purpose Company (“SPC”) to provide asset management services for the securitized assets. Under the agreement, The Group provides various services such as billing, collection, and delinquency management.

31.2.3 The Group faces 16 and 20 lawsuits as at December 31, 2020 and 2019, as the defendant (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩944 million and ₩994 million, respectively. The Group has filed 8 lawsuits as at December 31, 2020 and 2019, as the plaintiff (excluding minor lawsuits in relation to the collection or management of loans), involving aggregate damages of ₩34,121 million and ₩34,861 million as at December 31, 2020 and 2019, respectively.

31.2.4 Kookmin Bank and the Group are jointly liable for the obligation of Kookmin Bank before spin-off.

31.2.5 The Group has entered into a trustee agreement with Kookmin Bank to provide credit card related services such as increasing credit cardholders and merchants.

31.2.6 The Group has entered into a trustee agreement with KB Life Insurance Co., Ltd. and KB Insurance Co., Ltd. to provide credit card related services such as increasing credit cardholders.

31.2.7 As at December 31, 2020 and 2019, the Group has credit line commitments with a total of ₩1,130 billion and ₩1,060 billion with Kookmin Bank, Shinhan Bank, NongHyup Bank, Woori Bank and others, respectively. The Group has additionally entered into agreements with Kookmin Bank an overdraft of ₩800 billion. The Group has additionally entered into the following agreements: a credit line amounting to USD 347 million and USD 77 million with Kookmin Bank, etc. and an overdraft of USD 3 million and USD 3 million with Kookmin Bank as at December 31, 2020 and 2019, respectively, and settlement account with ₩1.3 trillion limit for credit card-related transaction settlement purposes.

31.2.8 A computer contractor employed by the individual credit ratings firm developing a fraud detection system of the Group caused a widespread data breach in June 2013, resulting in the theft of the personal information of the customers of the Group. The Group received a notification from the Financial Services Commission that the Group was subject to a temporary three-month suspension of certain new operations on February 16, 2014. In relation to the case, the Group faces 2 and 11 lawsuits as at December 31, 2020 and 2019, respectively, as a defendant involving aggregate damages of ₩ 108 million and ₩444 million. The Group recognized ₩2,549 million as a provision for the cases as at December 31, 2019.

31.2.9 According to use of credit information and protection article 3 of amendment 43, the Group qualifies as the credit information Group that has to be joined in the insurance or mutual aid, or have reserve fund ready to take a necessary action. Therefore, the Group is currently under personal information protection liability insurance that has the insurance value of ₩5 billion.

31.2.10 The ongoing COVID-19 pandemic has had a negative impact on the global economy, and has increased uncertainty in estimation of the Group's expected credit losses on certain portfolios and potential impairment on assets. The Group’s ability to generate revenue may be adversely affected by the factors including;

- uncertainties arising from significant increases in credit risks of borrowers affected by COVID-19 pandemic
- uncertainties arising from forward-looking macroeconomic information in estimating expected credit losses
- depreciation of Korean won against major currencies causing increase in the payment amount of principal and interests of debts denominated in foreign currencies; and
- a significant decline in fair value of the Group's investments in companies affected by COVID-19 pandemic.

Meanwhile, the impact of COVID-19 on estimating expected credit losses is described in Note 9 Loan Measured at Amortized Cost and Note 18 Provisions.

## 32. Lease

### 32.1 Finance lease

32.1.1 Leases as lessor

32.1.1.1 Total lease investment and Net lease investment as at as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec.31, 2020 | | | |
|---|---|---|---|---|
| | Total lease investment | | Net lease investment | |
| Within 1 year | ₩ | 93,831 | ₩ | 85,824 |
| 1-5 years | | 182,071 | | 175,125 |
| Over 5 years | | - | | - |
| | ₩ | 275,902 | ₩ | 260,949 |

*(In millions of Korean won)*

| | Dec.31, 2019 | | | |
|---|---|---|---|---|
| | Total lease investment | | Net lease investment | |
| Within 1 year | ₩ | 53,124 | ₩ | 47,321 |
| 1-5 years | | 129,286 | | 123,292 |
| Over 5 years | | 94 | | 93 |
| | ₩ | 182,504 | ₩ | 170,706 |

32.1.1.2 Unearned interest income of finance lease as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| Total lease investment | ₩ | 275,902 | ₩ | 182,504 |
| Net lease investment[1] | | 260,949 | | 170,706 |
| Unearned interest income | | 14,953 | | 11,798 |

[1] Financial gains from net lease investment are ₩7,377 million and ₩4,352 million for the years ended December 31, 2020 and 2019, respectively.

### 32.2 Operation lease

32.2.1 Leases as lessor
The future minimum lease income arising from the operation contracts as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Within 1 year | ₩ 7 | ₩ 25 |
| 1-5 years | - | 4 |
| | ₩ 7 | ₩ 29 |

32.2.2 Lease as Lessee
32.2.2.1 The amount related to lease recognized in statement of profit or loss for the years ended December 31, 2020 and 2019, are as follows:

| *(In millions of Korean won)* | 2020 | 2019 |
|---|---|---|
| Depreciation and amortization of right-of-use assets[1] | | |
| Real estate | ₩ 14,562 | ₩ 12,333 |
| Equipment and furniture | - | 898 |
| Vehicles | 1,562 | 1,222 |
| Software | - | 3,374 |
| | ₩ 16,124 | ₩ 17,827 |
| Interest expense on the lease liability(Included in finance charges) | ₩ 516 | ₩ 693 |
| Short-term lease payments (Included in administrative expenses) | - | - |
| Payments for leases of low-value assets different from short-term leases (Included in administrative expenses) | 270 | 86 |

[1] Carrying amount of right-of-use assets amount to ₩22,604 million (real estate: ₩20,512 million, vehicles: ₩2,092 million) and ₩ 26,059 million (real estate: ₩25,488 million, vehicles: ₩571 million), respectively, for the years ended December 31, 2020 and 2019.

32.2.2.2 Remaining contractual maturity and the amount of lease liabilities as at December 31, 2020 and 2019 are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | On demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| Lease liabilities | ₩ - | ₩ 1,317 | ₩ 1,650 | ₩ 7,262 | ₩ 8,597 | ₩ 523 | ₩ 19,349 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | On demand | | Up to 1 month | | 1-3 months | | 3-12 months | | 1-5 years | | Over 5 years | | Total | |
| Lease liabilities | ₩ | - | ₩ | 1,156 | ₩ | 1,575 | ₩ | 7,677 | ₩ | 16,757 | ₩ | 264 | ₩ | 27,429 |

Meanwhile, the total cash outflow of lease is ₩15,213 million for the year ended December 31, 2020 (2019: ₩14,042 million).

### 33. Subsidiaries

#### 33.1 The details of subsidiaries as at December 31, 2020 and 2019, are as follows:

| | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| Name of subsidiaries | Ownership interests(%) | Location | Reporting date | Industry |
| KB Daehan Specialized Bank | 95.7 | Cambodia | December 31 | General loan, Installment financing of automobile, etc. |
| PT. KB Finansia Multi Finance | 80.0 | Indonesia | December 31 | General loan, Installment financing of automobile, etc. |
| KB Kookmin Card 4th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| KB Kookmin Card 5th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| KB Kookmin Card 6th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| KB Kookmin Card 7th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| Name of subsidiaries | Ownership interests(%) | Location | Reporting date | Industry |
| KB Daehan Specialized Bank | 90.0 | Cambodia | December 31 | General loan, Installment financing of automobile, etc. |
| KB Kookmin Card 3rd Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| KB Kookmin Card 4th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| KB Kookmin Card 5th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| KB Kookmin Card 6th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| Heungkuk Life Insurance Money Market Trust | 100.0 | Korea | December 31 | Trust property management |

### 33.2 Overview of Subsidiaries

The condensed financial information of subsidiaries as at December 31, 2020 and 2019, and for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | 2020 | | | | |
|---|---|---|---|---|---|
| **Name of subsidiaries** | **Assets** | **Liabilities** | **Equity** | **Profit (loss) for the year** | **Comprehensive income (loss)** |
| KB Daehan Specialized Bank | ₩ 169,438 | ₩ 120,793 | ₩ 48,645 | ₩ 630 | ₩ (2,503) |
| PT. KB Finansia Multi Finance | 343,744 | 301,803 | 41,941 | (3,456) | (5,395) |
| KB Kookmin Card 3rd Securitization Co., Ltd.[1] | - | - | - | 288 | 231 |
| KB Kookmin Card 4th Securitization Co., Ltd.[1] | 225,898 | 226,316 | (418) | (733) | 2,242 |
| KB Kookmin Card 5th Securitization Co., Ltd.[1] | 299,960 | 299,960 | - | - | - |
| KB Kookmin Card 6th Securitization Co., Ltd.[1] | 470,941 | 473,454 | (2,513) | - | (2,570) |
| KB Kookmin Card 7th Securitization Co., Ltd.[1] | 597,641 | 594,900 | 2,741 | (5,537) | 2,741 |
| Heungkuk Life Insurance Money Market Trust | - | - | - | 1,015 | 935 |

[1] In accordance with Korean IFRS No. 1110, the Group is exposed, or has right to variable returns and has the ability to affect those returns through its power over investees due to a trust agreement. Therefore, the investees are classified as subsidiaries.

*(In millions of Korean won)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| **Name of subsidiaries** | **Assets** | **Liabilities** | **Equity** | **Profit (loss) for the year** | **Comprehensive income (loss)** |
| KB Daehan Specialized Bank | ₩ 144,317 | ₩ 93,169 | ₩ 51,148 | ₩ 107 | ₩ 65 |
| KB Kookmin Card 3rd Securitization Co., Ltd.[1] | 351,095 | 351,326 | (231) | 1,024 | 579 |
| KB Kookmin Card 4th Securitization Co., Ltd.[1] | 344,853 | 347,513 | (2,660) | 1,417 | 880 |
| KB Kookmin Card 5th Securitization Co., Ltd.[1] | 299,954 | 299,954 | - | - | - |
| KB Kookmin Card 6th Securitization Co., Ltd.[1] | 470,479 | 470,422 | 57 | (1,095) | 57 |
| Wise Mobile 18th Securitization Co., Ltd.[2] | - | - | - | - | - |
| Heungkuk Life Insurance Money Market Trust | 13,625 | 14,560 | (935) | 1,061 | 366 |

[1] In accordance with Korean IFRS No. 1110, the Group is exposed, or has right to variable returns and has the ability to affect those returns through its power over investees due to a trust agreement. Therefore, the investees are classified as subsidiaries.
[2] In accordance with Korean IFRS No. 1110, the Group is exposed, or has right to variable returns and has the ability to affect those returns through its power over investees due to subordinated debts and etc. Therefore, the investees are classified as subsidiaries.

### 33.3 Changes in Subsidiaries

PT. KB Finansia Multi Finance and KB Kookmin Card 7th Securitization Co., Ltd were included in the consolidation scope and KB Kookmin Card 3rd Securitization Co., Ltd and Heungkuk Life Insurance Money Market Trust were excluded from the consolidation scope due to termination during the year ended December 31, 2020.

## 34. Unconsolidated Structured Entities

As at December 31, 2020 and 2019, the nature, purpose and activities of the unconsolidated structured entities and how the structured entities are financed, are as follows:

*(In millions of Korean won)*

| Nature | Entity | Purpose | Activities | Methods of Financing | Asset size Dec. 31, 2020 | Asset size Dec. 31, 2019 | Carrying amount | Maximum exposure |
|---|---|---|---|---|---|---|---|---|
| Asset-backed securitization | Hanmaeum Badbank[1] | - Credit recovery of individual debtors<br>- Enhancement of financial stability of assets through effective settlement | - Loans for individual debtors listed as credit delinquents by financial institutions under ‘Agreement on Establishment & Operation of Badbanks’<br>- Collection of loans<br>- Borrowings | - Borrowings from Smile Micro Bank | ₩ - | ₩ 582 | ₩ - | ₩ - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Heemang moah Securitization Co., Ltd[2] | of bad debts | - Long-term card loan (credit card loans), securitized assets for individual debtors listed as credit delinquents by financial institutions under 'Agreement on Establishment & Operation of Badbanks' and transfer, management, operation, disposal of rights according to the act of securitization<br>- Issuance and redemption of investor trust certificate related to securitized assets<br>- Temporary borrowings for redemption of investor trust certificate | - Issuance of investor trust certificate based on securitized assets | - | 22,132 | - | - |
| Fund | KB Global Platform Fund and etc.[3] | - Investments in beneficiary certificates<br>- Investments in PEFs and partnerships | - Management of fund assets<br>- Payment of fund fees and allocation of fund profits | - Sales of beneficiary certificate instruments<br>- Investment of managing partners and limited partners | 135,931 | 93,817 | 10,616 | 17,316 |

[1] Hanmaeum Badbank was liquidated as at December 31, 2020 and the asset size of Hanmaeum Badbank is based on the carrying amounts in the financial statements as at December 31, 2019.

[2] Heemangmoah Securitization Co., Ltd was liquidated as at December 31, 2020 and the asset size of Heemangmoah Securitization Co., Ltd is based on the carrying amounts in the financial statements as at December 31, 2019.

[3] The asset size of KB Global Platform and etc. is based on the carrying amounts in the financial statements as at December 31, 2020 and 2019. Maximum Exposure consist of sum of carrying amount (financial asset measured at fair value through profit and loss) and Purchase Agreement of securities.

## 35. Related Party Transactions

### 35.1 Significant related party transactions for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | 2020 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Interest income** | **Fees and commissions received on loans** | **Other income** | **Provision (reversal) for credit losses** | **Interest expense** | **Fees and commissions paid on loans** | **Other expenses[1]** |
| Parent | KB Financial Group Inc. | ₩ - | ₩ - | ₩ 716 | ₩ - | ₩ - | ₩ - | ₩ 5 |
| Other related parties | Kookmin Bank | 1,054 | 216 | 1,325 | 1 | 4,573 | 185,600 | 6,465 |
| | KB Securities Co., Ltd. | - | 3 | 839 | 1 | 110 | 75 | 19 |
| | KB Insurance Co., Ltd. | 3 | 16,940 | 7,906 | 2 | 3 | 696 | 4,641 |
| | Prudential Life Insurance Company of Korea | - | - | - | - | - | - | - |
| | KB Asset Management Co., Ltd. | - | - | - | (1) | - | - | 3 |
| | KB Capital Co., Ltd. | - | - | 176 | (1) | - | 5 | 6,142 |
| | KB Life Insurance Co., Ltd. | - | 1,213 | 5,624 | - | - | 37 | - |
| | KB Real Estate Trust Co., Ltd. | - | - | - | 1 | - | - | 2 |
| | KB Savings Bank Co., Ltd. | - | - | 257 | - | - | 24 | - |
| | KB Investment Co., Ltd. | - | - | - | (1) | - | - | - |
| | KB Data Systems Co., Ltd. | - | - | - | - | - | - | 13,959 |
| | KB Credit Information Co., Ltd. | - | - | - | 1 | - | 13,934 | - |
| | Others | - | 31 | 924 | 2 | - | - | 800 |
| Associates | KB KOLAO LEASING Co., Ltd. | - | - | - | - | - | - | - |
| | Big Dipper Inc. | - | - | - | - | - | - | 768 |
| Key management | | - | - | - | - | - | - | - |
| | | ₩ 1,057 | ₩ 18,403 | ₩ 17,767 | ₩ 5 | ₩ 4,686 | ₩ 200,371 | ₩ 32,804 |

[1] Property and equipment and intangible assets acquired from KB Data Systems Co., Ltd. amounting to ₩3,818 million are included.

The Group acquired installment financial loans, etc. amounting to ₩735,529 million from SY Auto Capital Co., Ltd, a joint venture of KB Capital Co., Ltd for the year ended December 31, 2020.

*(In millions of Korean won)*

| | | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Interest income** | **Fees and commissions received on loans** | **Other income** | **Provision (reversal) for credit losses** | **Interest expense** | **Fees and commissions paid on loans** | **Other expenses[1]** |
| Parent | KB Financial Group Inc. | ₩ - | ₩ - | ₩1,042 | ₩ - | ₩ - | ₩ - | ₩ 6 |
| Other related parties | Kookmin Bank | 1,343 | 59 | 2,015 | 5 | 4,676 | 206,505 | 7,217 |
| | KB Securities Co., Ltd. | - | 4 | 881 | - | 55 | 75 | - |
| | KB Insurance Co., Ltd. | 2 | 12,732 | 5,550 | (1) | 2 | 709 | 4,125 |
| | KB Life Insurance Co., Ltd. | - | 1,197 | 6,299 | - | - | 15 | - |
| | KB Asset Management Co., Ltd. | - | - | - | 1 | - | - | 4 |
| | KB Capital Co., Ltd. | - | - | 241 | 2 | - | 37 | 3,919 |
| | KB Savings Bank Co., Ltd. | - | - | 99 | - | - | 24 | - |
| | KB Real Estate Trust Co., Ltd. | - | - | - | 1 | - | - | 2 |
| | KB Investment Co., Ltd. | - | - | - | - | - | - | - |
| | KB Credit Information Co., Ltd. | - | - | - | - | - | 15,008 | - |
| | KB Data Systems Co., Ltd. | - | - | - | - | - | 1,151 | 20,645 |
| | Others | - | 30 | 1,026 | 5 | - | - | 921 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Associates | KB KOLAO LEASING Co., Ltd. | - | - | - | - | - | - | - |
| | Big Dipper Inc. | - | - | - | - | - | - | - |
| Key management | | - | - | - | - | - | - | - |
| | | ₩1,345 | ₩ 14,022 | ₩17,153 | ₩ 13 | ₩ 4,733 | ₩ 223,524 | ₩36,839 |

[1] Property and equipment and intangible assets acquired from KB Data Systems Co., Ltd. amounting to ₩11,138 million are included.

The Group acquired installment financial loans, etc. amounting to ₩624,521 million from SY Auto Capital Co., Ltd, a joint venture of KB Capital Co., Ltd for the year ended December 31, 2019.

### 35.2 The details of receivables and payables, and allowances for credit losses arising from the related party transactions as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | Dec. 31, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cash and due from financial insti-tutions | Loans | Other receivables | Allowances for Credit losses | Debentures | Accounts payable | Other liabilities | Unused loan commit-ments |
| Parent | KB Financial Group Inc. | ₩ - | ₩ 621 | ₩ - | ₩ - | ₩ - | ₩ 84,099 | ₩ 8,195 | ₩ 2,379 |
| Other related parties | Kookmin Bank | 92,490 | 18,374 | 40,262 | 15 | - | - | 56,371 | 89,768 |
| | KB Securities Co., Ltd. | - | 5,200 | 817 | 2 | - | - | 72 | 9,853 |
| | KB Insurance Co., Ltd. | - | 5,569 | 2,501 | 6 | - | - | 13,079 | 21,581 |
| | Prudential Life Insurance Company of Korea | - | 455 | - | - | - | - | - | 3,245 |
| | KB Asset Management Co., Ltd. | - | 230 | - | 1 | - | - | - | 370 |
| | KB Capital Co., Ltd. | - | 2,452 | 5 | 5 | - | - | - | 41,548 |
| | KB Life Insurance Co., Ltd. | - | 433 | 457 | 1 | - | - | 24 | 1,067 |
| | KB Real Estate Trust Co., Ltd. | - | 348 | - | 2 | - | - | - | 319 |
| | KB Savings Bank Co., Ltd. | 457 | 109 | 26 | 1 | - | - | 126 | 191 |
| | KB Investment Co., Ltd. | - | 111 | 8,550 | - | - | - | - | 324 |
| | KB Data Systems Co., Ltd. | - | 153 | 729 | - | - | - | 2,005 | 847 |
| | KB Credit Information Co., Ltd | - | 69 | - | 1 | - | - | 1,387 | 481 |
| | Others | - | 207 | - | 8 | - | - | - | 1,312 |
| Associates | KB KOLAO LEASING Co., Ltd. | - | - | - | - | - | - | - | - |
| | Big Dipper Inc. | - | 4 | - | - | - | - | - | 96 |
| Key management | | - | 56 | - | - | - | - | - | 419 |
| | | ₩ 92,947 | ₩34,391 | ₩ 53,347 | ₩ 42 | ₩ - | ₩ 84,099 | ₩81,259 | ₩173,800 |

*(In millions of Korean won)*

| | | Dec. 31, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cash and due from financial insti-tutions | Loans | Other receivables | Allowances for Credit losses | Debentures | Accounts payable | Other liabilities | Unused loan commit-ments |
| Parent | KB Financial Group Inc. | ₩ - | ₩745 | ₩ 649 | ₩ - | ₩ - | ₩53,516 | ₩ 7,189 | ₩2,255 |
| Other related parties | Kookmin Bank | 74,801 | 19,694 | 39,356 | 8 | - | - | 52,104 | 86,400 |
| | KB Securities Co., Ltd. | - | 6,449 | 651 | 1 | - | - | 106 | 8,101 |
| | KB Insurance Co., Ltd. | - | 7,137 | 2,387 | 4 | - | - | 12,771 | 20,344 |
| | KB Life Insurance Co., Ltd. | - | 442 | 483 | 1 | - | - | 28 | 1,058 |
| | KB Asset Management Co., Ltd. | - | 366 | - | 2 | - | - | - | 234 |
| | KB Capital Co., Ltd. | - | 4,075 | 13 | 6 | - | - | - | 43,925 |
| | KB Savings Bank Co., Ltd. | - | 100 | 20 | 1 | - | - | 9 | 200 |
| | KB Real Estate Trust Co., Ltd. | - | 265 | - | 1 | - | - | - | 402 |
| | KB Investment Co., Ltd. | - | 174 | 5,850 | 1 | - | - | - | 261 |
| | KB Credit Information Co., Ltd. | - | 66 | - | - | - | - | 1,429 | 484 |
| | KB Data Systems Co., Ltd. | - | 165 | 15 | - | - | - | 2,308 | 635 |
| | Others | - | 171 | - | 6 | - | - | 1 | 914 |
| Associates | KB KOLAO LEASING Co., Ltd. | - | - | - | - | - | - | - | - |
| | Big Dipper Inc. | - | 11 | - | - | - | - | - | 89 |
| Key management | | - | 66 | - | - | - | - | - | 440 |
| | | ₩74,801 | ₩39,926 | ₩49,424 | ₩ 31 | ₩ - | ₩53,516 | ₩75,945 | ₩165,742 |

## 35.3 Commitments provided by a related party as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|
| Kookmin Bank | Debt commitments in Korean won[1] | ₩ 820,000 | ₩ 820,000 |
| | Debt commitments in foreign currencies[2] | 43,194 | 23,156 |
| | Derivatives commitments | 30,000 | 44,472 |
| | Other commitments in Korean won | 1,300,000 | 1,300,000 |

[1] According to the commitment with Kookmin Bank, no debts are recognized as at December 31, 2020 and 2019.

[2] ₩39,930 million and ₩19,683 million of debt is recognized as at December 31, 2020 and 2019 according to the debt commitments in foreign currencies with Kookmin Bank.

## 35.4 The details of assets pledged as collaterals to the related party as at December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | Dec. 31, 2020 | | |
|---|---|---|---|---|
| | | Amount | Maturity date | |
| Kookmin Bank | Time deposits | ₩ 22,000 | Dec. 18, 2021 | Debt commitments (₩ 20 billion) |

*(In millions of Korean won)*

| | | Dec. 31, 2019 | | |
|---|---|---|---|---|
| | | Amount | Maturity date | |
| Kookmin Bank | Time deposits | ₩ 22,000 | Dec. 18, 2020 | Debt commitments (₩ 20 billion) |

**35.5 The Group has entered into an investment agreement amounting to ₩1,000 millio n with KB Digital Innovation Investment Fund Limited Partnership, which is a subsidiary of KB Securities Co., Ltd., as at December 31,2020 and 2019 and ₩250 mil lion remains unexecuted as at December 31, 2020. Also The Group has entered into an investment agreement amounting to ₩15,000 million with KB Global Flatform Fund, which is a subsidiary of KB Investment Co., Ltd., and ₩6,450 million remains unexec uted as at December 31, 2020. And the loss shall be firstly appropriated by KB I nvestment Co., Ltd. within 5 percent range of the total investment in the order of priority according to the commitment.**

**35.6 Types and amounts of benefits compensated to key management for the years ended December 31, 2020 and 2019, are as follows:**

*(In millions of Korean won)*

| | 2020 | | | |
|---|---|---|---|---|
| | Short-term employee benefits | Post employment benefits | Share-based payments | Total |
| Registered director (executive) | ₩ 794 | ₩ 109 | ₩ 419 | ₩ 1,322 |
| Registered director (non-executive) | 193 | - | - | 193 |
| Non-registered director | 3,318 | 697 | 2,152 | 6,167 |
| | ₩ 4,305 | ₩ 806 | ₩ 2,571 | ₩ 7,682 |

*(In millions of Korean won)*

| | 2019 | | | |
|---|---|---|---|---|
| | Short-term employee benefits | Post employment benefits | Share-based payments | Total |
| Registered director (executive) | ₩ 652 | ₩ 115 | ₩ 665 | ₩ 1,432 |
| Registered director (non-executive) | 182 | - | - | 182 |
| Non-registered director | 3,132 | 604 | 1,784 | 5,520 |
| | ₩ 3,966 | ₩ 719 | ₩ 2,449 | ₩ 7,134 |

### 35.7 Lending and borrowing with related party for the years ended December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

| | | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Borrowing | | | Lending | | | | |
| | | Borrowed | Reimbursed | Others | Lent | Repaid | Repayment of lease liability | Contribution in cash | Distribution of dividend |
| Parent | KB Financial Group Inc. | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 100,004 |
| Other related parties | Kookmin Bank | 25,500 | 22,000 | 14,189 | 176,702 | 155,268 | 51 | - | - |
| | KB Insurance Co., Ltd. | - | - | - | - | - | 128 | - | - |
| | KB Savings Bank Co., Ltd. | - | - | 457 | - | - | - | - | - |
| | Others | - | - | - | - | - | - | 2,950 | - |

*(In millions of Korean won)*

| | | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Borrowing | | | Lending | | | | |
| | | Borrowed | Reimbursed | Others | Lent | Repaid | Repayment of lease liability | Contribution in cash | Distribution of dividend |
| Parent | KB Financial Group Inc. | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 200,008 |
| Other related parties | Kookmin Bank | 22,000 | 22,000 | (9,288) | 264,316 | 248,107 | 75 | - | - |
| | KB Insurance Co., Ltd. | - | - | - | - | - | 116 | - | - |
| | Others | - | - | - | - | - | - | 6,100 | - |

As disclosed in Note 31, the Group has entered into a funds settlement agreement with Kookmin Bank at ₩1.3 trillion credit. Funds are settled with Kookmin Bank on every business day in accordance with this agreement.

### 35.8 The amount of debenture issued by the Group that KB Securities Co., Ltd. acquire d are ₩220,000 million and ₩110,000 million for the years December 31, 2020 and 2 019, respectively.

### 35.9 The Group entered into commitment guarantee insurance contracts for debt cancellation & debt suspension(DCDS) as at December 31, 2020 and 2019, and KB Insurance Co., Ltd. has acquired the commitment guarantee insurance contracts partially.

## 36. Business Combinations

On July 3, 2020 the Group acquire 80 percentage share of PT. KB Finansia Multi Finance, which is engaged financial services in Indonesia, and obtained control.

The main purpose of the business combination is to improve competitiveness of global business by maximizing the operational synergy with foreign subsidiaries.

Details of the consideration paid, assets acquired and liabilities assumed at the acquisition date are as follows:

| *(In millions of Korean won)* | | **Amount** |
|---|---|---|
| Consideration | | |
| Cash | ₩ | 89,689 |
| Recognized amounts of identifiable assets acquired and liabilities assumed | | |
| Cash and due from financial institutions | | 24,150 |
| Loans measured at amortized cost | | 191,039 |
| Property and equipment | | 13,837 |
| Intangible assets | | 13,409 |
| Other assets | | 17,587 |
| Debts | | 146,588 |
| Debentures | | 46,865 |
| Other liabilities | | 19,233 |
| Net identifiable assets acquired | | 47,336 |
| Non-controlling interest[1] | | 9,467 |
| Goodwill | ₩ | 51,820 |

[1] Measured at the proportionate share (20%) of the fair value of PT. Finansia Multi Finance's net assets as at the acquisition date.

As a result of the business combination, there was a goodwill and the Group recognized it as intangible assets in the consolidated statement of financial position. In addition, The Group incurred expenses of ₩1,064 million and ₩1,623 million for the 2020 and 2019, respectively, including legal fees and due diligence fees, in connection with the business combination, and these were recognized as fee and commission expenses in the consolidated statement of comprehensive income.

In addition, operating loss and net loss of PT. Finansia Multi Finance for the period after the acquisition date were ₩4,432 million and ₩3,456 million, respectively, which are reflected in the consolidated statement of comprehensive income. If PT. Finansia Multi Finance was consolidated from the beginning of the current period, its operating loss and net loss to be reflected in the consolidated statement of comprehensive income would be ₩ 26,166 million and ₩19,187 million, respectively and the amount that would have been attributed to net loss to shareholders of the Parent Company is ₩15,349 million.

## 37. Events After the Reporting Period

The Group signed a share purchase agreement to acquire 49.99% (voting rights: 50.99%) of shares of J Fintech Co., Ltd, financial company in Thailand during the second quarter of 2020 for THB 650,000,000 in January 2021, and the valuation of fair value of assets and liabilities are in progress for the allocation of purchase price.

## 38. Approval of Issuance of the Financial Statements

The issuance of the Group's consolidated financial statements as at and for the year ended December 31, 2020, was approved by the Board of Directors on February 3, 2021.

## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors of and Shareholders of
KB Kookmin Card Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of KB Kookmin Card Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

### Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

March 5, 2020

| |
|---|
| This report is effective as of March 5, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any. |

**KB Kookmin Card Co., Ltd. and Subsidiaries**
**Consolidated Statements of Financial Position**
**December 31, 2019 and 2018**

| *(In millions of Korean won)* | Notes | December 31, 2019[1] | December 31, 2018[1] |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from financial institutions | 7 | 205,683 | 204,935 |
| Financial assets measured at fair value through profit or loss | 10 | 573,208 | 682,442 |
| Derivative financial assets | 8 | 18,785 | 1,865 |
| Loans measured at amortized cost | 9 | 21,244,439 | 18,788,966 |
| Financial investments | 10 | 76,651 | 74,619 |
| Investments in associates | 11 | 4,623 | 3,606 |
| Property and equipment | 12 | 147,163 | 130,862 |
| Intangible assets | 13 | 188,818 | 85,214 |
| Deferred income tax assets | 14 | 118,984 | 107,798 |
| Net defined benefit assets | 19 | 946 | - |
| Other assets | 15 | 410,816 | 448,644 |
| **Total assets** | | 22,990,116 | 20,528,951 |
| **Liabilities** | | | |
| Debts | 16 | 1,129,151 | 620,126 |
| Derivative financial liabilities | 8 | 30,982 | 24,713 |
| Debentures | 17 | 14,813,456 | 13,053,596 |
| Provisions | 18 | 153,433 | 144,155 |
| Net defined benefit liabilities | 19 | - | 1,417 |
| Other liabilities | 20 | 2,798,173 | 2,726,273 |
| **Total liabilities** | | 18,925,195 | 16,570,280 |
| **Equity** | | | |
| Capital stock | 21 | 460,000 | 460,000 |
| Capital surplus | 21 | 1,976,820 | 1,976,820 |
| Accumulated other comprehensive income | 21 | 19,058 | 29,353 |
| Retained earnings | 21 | 1,606,831 | 1,490,293 |
| **Equity attributable to shareholders of the Parent Company** | | 4,062,709 | 3,956,466 |
| **Non-controlling interests** | | 2,212 | 2,205 |
| **Total equity** | | 4,064,921 | 3,958,671 |
| **Total liabilities and equity** | | 22,990,116 | 20,528,951 |

[1] The consolidated statement of financial position as of December 31, 2019 is prepared in accordance with Korean IFRS 1116; however, the comparative consolidated statement of financial position as at December 31, 2018 was not retrospectively restated to apply Korean IFRS 1116.

The accompanying notes are an integral part of these consolidated financial statements.

**KB Kookmin Card Co., Ltd. and Subsidiaries**
**Consolidated Statements of Comprehensive Income**
**Years Ended December 31, 2019 and 2018**

| *(In millions of Korean won)* | Notes | 2019[1] | 2018[1] |
|---|---|---|---|
| Interest income | | 1,581,547 | 1,474,171 |
| Interest income from financial instruments measured at fair vlue through other comprehensive income and amortized cost | | 1,570,735 | 1,465,701 |
| Interest income from financial instruments measured at fair vlue through profit or loss | | 10,812 | 8,470 |
| Interest expense | | (350,890) | (306,092) |
| Net interest income | 22 | 1,230,657 | 1,168,079 |
| Fee and commission income | | 1,406,238 | 1,426,647 |
| Fee and commission expense | | (1,144,463) | (1,161,788) |
| Net fee and commission income | 23 | 261,775 | 264,859 |
| Provision for credit losses | 9 | (439,765) | (429,068) |
| General and administrative expense | 27 | (441,920) | (404,926) |
| Net gains on financial assets/liabilities measured at fair value through profit or loss | 24 | 371 | 3,866 |
| Net other operating expense | 25 | (231,767) | (133,753) |
| **Operating profit** | 26 | 379,351 | 469,057 |
| Gain on investments in associates | 11 | 1,106 | 202 |
| Other non-operating income (expense) | 28 | 3,362 | (33,062) |
| Net non-operating income (expense) | | 4,468 | (32,860) |
| **Profit before income tax expense** | | 383,819 | 436,197 |
| Income tax expense | 29 | (67,262) | (149,624) |
| **Profit for the year** | | 316,557 | 286,573 |
| **Other comprehensive income (loss)** | | | |
| Remeasurement of net defined benefit liabilities | 21 | (3,663) | (8,797) |
| Revaluation gain (loss) on equity instruments measured at fair value through other comprehensive income | 21 | (751) | 1,806 |
| Items that will not be reclassified to profit or loss | | (4,414) | (6,991) |
| Share of other comprehensive income (loss) of the associates | 21 | (89) | 43 |
| Cash flow hedges | 21 | (5,810) | (17,916) |
| Exchange differences on translating foreign operations | 21 | 14 | (75) |
| Items that may be reclassified subsequently to profit or loss | | (5,885) | (17,948) |
| **Other comprehensive loss for the year, net of tax** | | (10,299) | (24,939) |
| **Total comprehensive income for the year** | | 306,258 | 261,634 |
| **Profit for the year attributable to:** | | | |
| Shareholders of the Parent Company | | 316,546 | 286,599 |
| Non-controlling interests | | 11 | (26) |
| | | 316,557 | 286,573 |
| **Total comprehensive income for the year attributable to:** | | | |
| Shareholders of the Parent Company | | 306,251 | 261,667 |
| Non-controlling interests | | 7 | (33) |
| | | 306,258 | 261,634 |

[1] The consolidated statement of comprehensive income for the year ended December 31, 2019 is prepared in accordance with Korean IFRS 1116; however, the comparative consolidated statement of comprehensive income for the year ended December 31, 2018 was not retrospectively restated to apply Korean IFRS 1116.

The accompanying notes are an integral part of these consolidated financial statements.

**KB Kookmin Card Co., Ltd. and Subsidiaries**

**Consolidated Statements of Changes in Equity**

**Years Ended December 31, 2019 and 2018**

| *(In millions of Korean won)* | Capital Stock | Capital Surplus | Accumulated Other Comprehensive Income | Retained Earnings | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2018** | 460,000 | 1,976,820 | 54,294 | 1,550,715 | - | 4,041,829 |
| **Changes in accounting policies** | - | - | (9) | (166,977) | - | (166,986) |
| **Balance at January 1, 2018 (restated amount)** | 460,000 | 1,976,820 | 54,285 | 1,383,738 | - | 3,874,843 |
| **Comprehensive income** | | | | | | |
| Profit for the year | - | - | - | 286,599 | (26) | 286,573 |
| Remeasurement of net defined benefit liabilities | - | - | (8,797) | - | - | (8,797) |
| Revaluation loss on equity instruments measured at fair value through other comprehensive income | - | - | 1,806 | - | - | 1,806 |
| Share of other comprehensive income of the associates | - | - | 43 | - | - | 43 |
| Cash flow hedges | - | - | (17,916) | - | - | (17,916) |
| Exchange differences on translating foreign operations | - | - | (68) | - | (7) | (75) |
| **Transactions with shareholder of the company** | | | | | | |
| Dividends | - | - | - | (180,044) | - | (180,044) |
| Changes in non-controlling interests due to business combination | - | - | - | - | 2,238 | 2,238 |
| **Balance at December 31, 2018** | 460,000 | 1,976,820 | 29,353 | 1,490,293 | 2,205 | 3,958,671 |
| | | | | | | |
| **Balance at January 1, 2019** | 460,000 | 1,976,820 | 29,353 | 1,490,293 | 2,205 | 3,958,671 |
| **Comprehensive income** | | | | | | |
| Profit for the year | - | - | - | 316,546 | 11 | 316,557 |
| Remeasurement of net defined benefit assets | - | - | (3,663) | - | - | (3,663) |
| Revaluation loss on equity instruments measured at fair value through other comprehensive income | - | - | (751) | - | - | (751) |
| Share of other comprehensive loss of the associates | - | - | (89) | - | - | (89) |
| Cash flow hedges | - | - | (5,810) | - | - | (5,810) |
| Exchange differences on translating foreign operations | - | - | 18 | - | (4) | 14 |
| **Transactions with shareholder of the company** | | | | | | |
| Dividends | - | - | - | (200,008) | - | (200,008) |
| **Balance at December 31, 2019** | 460,000 | 1,976,820 | 19,058 | 1,606,831 | 2,212 | 4,064,921 |

The accompanying notes are an integral part of these consolidated financial statements.

## KB Kookmin Card Co., Ltd. and Subsidiaries
### Consolidated Statements of Cash Flows
### Years Ended December 31, 2019 and 2018

| *(In millions of Korean won)* | Notes | 2019[1] | 2018[1] |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 316,557 | 286,573 |
| Adjustment for non-cash items | | | |
| Net loss (gain) on financial assets/liabilities measured at fair value through profit or loss | | 182 | (6,016) |
| Provision for credit losses | 9 | 439,765 | 429,068 |
| Gain on investments in associates | 11 | (1,106) | (202) |
| Net gain from derivatives financial instruments | | (558) | (2,408) |
| Depreciation and amortization expense | 27 | 85,586 | 49,794 |
| Other net loss (gain) on property and equipment / intangible assets | | 4,739 | (15) |
| Post-employment benefits | 27 | 14,566 | 12,854 |
| Share-based payments | 27 | 2,449 | 377 |
| Net interest income | | (54,301) | (48,249) |
| Other expenses | | 117,536 | 49,481 |
| | | 608,858 | 484,684 |
| Changes in operating assets and liabilities | | | |
| Financial assets measured at fair value through profit or loss | | (42,396) | (484,553) |
| Loans measured at amortized cost | | (2,878,520) | (3,276,797) |
| Deferred income tax assets | | (7,508) | 52,840 |
| Other assets | | (9,890) | 91,190 |
| Other liabilities | | (31,350) | 700,605 |
| | | (2,969,664) | (2,916,715) |
| **Net cash outflow from operating activities** | | (2,044,249) | (2,145,458) |
| **Cash flows from investing activities** | | | |
| Acquisition of Financial investments measured at fair value through profit or loss | | (8,149) | (1,559) |
| Acquisition of investments in associates | | (3,073) | - |
| Disposal of investments in associates | | - | 76 |
| Acquisition of investments in subsidiaries | | (19,423) | (19,240) |
| Acquisition of property and equipment | | (25,381) | (38,355) |
| Disposal of property and equipment | | 4 | 24 |
| Acquisition of intangible assets | | (106,010) | (79,382) |
| Disposal of intangible assets | | 25 | - |
| Others | | 571 | (54) |
| **Net cash outflow from investing activities** | | (161,436) | (138,490) |
| **Cash flows from financing activities** | | | |
| Net increase in debts | 16 | 508,310 | 183,320 |
| Increase in debentures | 17 | 27,521,034 | 25,414,534 |
| Decrease in debentures | 17 | (25,791,500) | (23,478,100) |
| Payment of dividend | | (200,008) | (180,044) |
| Repayment of lease debts | 37 | (13,956) | - |
| Others | | 446 | 1,094 |
| **Net cash outflow from financing activities** | | 2,024,326 | 1,940,804 |
| **Effect of exchange rate changes on cash and cash equivalents** | | 327 | (8) |
| **Net decrease in cash and cash equivalents** | | (181,032) | (343,152) |
| **Cash and cash equivalents at the beginning of the year** | | 316,316 | 659,468 |
| **Cash and cash equivalents at the end of the year** | 30 | 135,284 | 316,316 |

[1] The consolidated statement of cash flows for the year ended December 31, 2019 is prepared in accordance with Korean IFRS 1116; however, the comparative consolidated statement of cash flows for the year ended December 31, 2018 was not retrospectively restated to apply Korean IFRS 1116.

The accompanying notes are an integral part of these consolidated financial statements.

## 1. The Group

KB Kookmin Card Co., Ltd. (the “Company”) was spun off from Kookmin Bank on February 28, 2011, to engage in credit card business, and completed its registration on March 2, 2011. The Company additionally registered for installment financing business under the Specialized Credit Finance Business Act on May 26, 2015, in order to meet the demands of cardholders for installment financing and to expand new customer base.

In accordance with Specialized Credit Finance Business Act, the Company offers various financial services such as credit sales, short-term card loan (Cash advances), long-term card loan (Card loans) and installment financing. The Company is wholly owned by KB Financial Group, Inc.

As at December 31, 2019, the Company has approximately 20.3 million credit and check cardholders and 2.7 million merchants, and operates 26 branches.

## 2. Basis of Preparation

### 2.1 Application of Korean IFRS

The KB Kookmin Card Co., Ltd. and its subsidiaries(the “Group”) maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been prepared, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.4.

The Group’s consolidated financial statements have been prepared in accordance with Korean IFRS, effective as of December 31, 2019.

(a) New standards, amendments and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019. The adoption of these amendments did not have any significant impact on the current period or any prior period and is not likely to affect future periods, with the exception of the adoption of Korean IFRS 1116 *Leases* discussed below.

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 replaces Korean IFRS 1017 Leases. Korean IFRS 1116 implements a single lessee model and requires lessee to recognize assets and liabilities for all leases for which the lease term is more than 12 months unless the underlying asset is of low value. Lessees is required to recognize the right-of-use asset and lease liability that represents the obligation to pay the lease payments.

The Group changed its accounting policies as a result of adopting Korean IFRS 1116 Leases. The changed accounting policies were applied retrospectively, in accordance with the Korean IFRS 1116 transitional provisions. The cumulative effect of initial applying Korean IFRS 1116 was reflected on the date of initial application (January 1, 2019). The Group did not restate its previous financial statements, the comparative information. Note 37 explains the effect of adopting Korean IFRS 1116 lease and new accounting policies.

- Amendments to Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS 1109 Financial Instruments enable entities to measure certain pre-payable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a gain or loss arising from the modification shall be recognized in profit or loss. The amendments have no material effect on the Group's consolidated financial statements.

- Amendments to Korean IFRS 1019 *Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendments have no material effect on the Group's consolidated financial statements.

- Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures*

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The amendments have no material effect on the Group's consolidated financial statements.

- Enactment of Korean IFRIC 2123 *Uncertainty over Income Tax Treatments*

The enactment clarifies the accounting for uncertainties in income taxes in the event that the decision of taxation authorities or courts can change tax treatment. The enactment presents calculating methods of disclosure amount based on the possibility of future recognition of the income tax treatment, and requires disclosure of the uncertainty of the amount. The enactment has no material effect on the Group's consolidated financial statements.

- Annual Improvements to Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The enactments have no material effect on the Group's consolidated financial statements

- Annual Improvements to Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The enactments have no material effect on the Group's consolidated financial statements

- Annual Improvements to Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The enactment has no material effect on the Group's consolidated financial statements

- Annual Improvements to Korean IFRS 1023 *Borrowing Cost*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings.

(b) New and amended standards and interpretations not yet adopted by the Group

New standards and interpretations issued, but not effective for the financial year beginning on January 1, 2019, and not early adopted are enumerated below:

- Amendments to Korean IFRS 1001 *Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Materiality*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application is permitted. The Group does not expect these amendments to have a significant impact on the financial statements.

- Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

To consider the integration of the required activities and assets to be defined as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits arising from lowering costs. An entity may apply a concentration test, an optional test, where substantially the value of assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

On December 16, 2019, the IFRS Interpretations Committee announced an interpretation of the "lease term and useful life of leasehold improvements". This interpretation deals with how to determine the lease term of a cancellable lease or a renewable lease and whether the useful life of non-removable leasehold improvements is limited by the relevant lease term. According to this interpretation, the Group should identify factors to consider the broader economic penalty, reflect identified factors to accounting policies, and calculate lease term again based on the changed accounting policy.

However, due to the large number of lease contracts held by the Group and varying terms of the contracts, the Group determined that sufficient time would be required to determine items to be included in the review of extensive economic penalty and to establish procedures for collecting and analyzing necessary information. Therefore, the effect of the changes in accounting policy for the lease term is not reflected in the consolidated financial statements for the current reporting period.

If the accounting policy for the lease term is changed in the annual periods beginning on or after January 1, 2020, the amount of the related right-of-use assets and lease liabilities may increase, and the consolidated financial statements may be restated retrospectively to reflect this effect.

### 2.2 Measurement Basis

The consolidated financial statements have been prepared under the historical cost convention unless otherwise specified.

### 2.3 Functional and Presentation Currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Korean won, which is the Group's functional and presentation currency.

### 2.4 Significant Estimates and Assumptions

The preparation of the consolidated financial statements requires the application of accounting policies, certain critical accounting estimates and assumptions that may have a significant impact on assets(liabilities) and income(expenses). Management's estimates of outcome may differ from actual outcomes if management's estimates and assumptions based on management's best judgement at the reporting date are different from actual environment.

Estimates and assumptions are continually evaluated and the change in accounting estimates is recognized in profit or loss in the period of the change and future periods.

Uncertainty in estimates and assumptions with significant risk that may result in material adjustment to the consolidated financial statements are as follows:

#### 2.4.1 Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments, increase in wages, and others in accordance with the Tax System for Promotion of Investment and Collaborative Cooperation (Recirculation of Corporate Income), the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2018. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Group's income tax is dependent on the investments, increase in wages, and others, there exists uncertainty with regard to measuring the final tax effects.

#### 2.4.2 Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available is determined by using valuation techniques. Financial instruments, which are not actively traded in the market and those with less transparent market prices, will have less objective fair values and require broad judgment on liquidity, concentration, uncertainty in market factors and assumptions in price determination and other risks.

As described in the significant accounting policies in Note 3.3, 'Recognition and Measurement of Financial Instruments', diverse valuation techniques are used to determine the fair value of financial instruments, from generally accepted market valuation models to internally developed valuation models that incorporate various types of assumptions and variables.

#### 2.4.3 Provisions for credit losses (allowances for loan losses, provisions for acceptances and guarantees, and unused loan commitments)

The Group tests impairment and recognizes allowances for losses on financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income and lease receivables through impairment testing and recognizes provisions for guarantees, and unused loan commitments. Accuracy of provisions for credit losses is dependent upon estimation of expected cash flows of the borrower for individually assessed allowances of loans, and upon assumptions and methodology used for collectively assessed allowances for groups of loans, guarantees and unused loan commitments.

### 2.4.4 Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

### 2.4.5 Goodwill

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations to test whether goodwill has suffered any impairment (Note 13).

### 2.4.6 Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

## 3. Significant Accounting Policies

The significant accounting policies and calculation methods applied in the preparation of the consolidated financial statements have been consistently applied to all periods presented, except for the impact of changes due to enactment of new standards, amendments and interpretations disclosed in Note 2.1.

### 3.1 Subsidiaries and Associates

### 3.1.1 Subsidiaries

Subsidiaries are companies that are controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date when control is transferred to the Group and de-consolidated from the date when control is lost.

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to make the subsidiary's accounting policies conform to those of the Group when the subsidiary's financial statements are used by the Group in preparing the consolidated financial statements.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, if any. Total comprehensive income is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a negative balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with the owners exercising their entitlement. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. Amounts previously recognized in other comprehensive income are reclassified to profit or loss.

### 3.1.2 Associates

Associates are entities over which the Group has significant influence in the financial and operating policy decisions. Generally, if the Group holds 20% to 50% of the voting power of the investee, it is presumed that the Group has significant influence, it is presumed that the Group has significant influence.

Under the equity method, investments in associates are initially recognized at cost and the carrying amount is increased or decreased to recognize the Group’s share of the profit or loss of the investee and changes in the investee’s equity after the date of acquisition. The Group’s share of the profit or loss of the investee is recognized in the Group’s profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Profit and loss resulting from ‘upstream’ and ‘downstream’ transactions between the Group and associates are eliminated to the extent at the Group’s interest in associates. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

If associates use accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to make the associate’s accounting policies conform to those of the Group when the associate’s financial statements are used by the Group in applying equity method.

After the carrying amount of the investment 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 investee.

The Group determines at each reporting period whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount as ‘non-operating income(expense)’ in the statements 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 to the structured entities in which the Group has interests, it considers factors such as the purpose, the form, the practical ability to direct the relevant activities of a structured entity, the nature of its relationship with a structured entity and the amount of exposure to variable returns.

### 3.1.4 Elimination of intragroup transactions

All intra-group balances are transactions, and any unrealized gains arising on intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

## 3.2 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 3.3 Financial Assets

(a) Classification

The Group classifies financial assets as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, or financial assets measured at amortized cost. The classification depends on the nature and holding purpose of the financial instrument at initial recognition in the consolidated financial statements.

1) Financial assets measured at fair value through profit or loss

Financial assets held for trading, financial assets designated by the Group to be measured fair value through profit or loss upon initial recognition, and financial assets that are required to be mandatorily measured at fair value through profit or loss are classified as financial assets measured at fair value through profit or loss.

The Group may designate certain financial assets upon initial recognition as measured 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 measured at fair value through profit or loss is measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. Interest income and dividend income from financial assets measured at fair value through profit or loss are also recognized in the statement of comprehensive income.
2) Financial assets measured at fair value through other comprehensive income

The Group classifies below financial assets as financial assets measured 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, and with contractual cash flow that is composed of solely payments of principal and interest on the principal amount outstanding or;
- equity instruments, not held for trading with the objective of generating a profit from short-term fluctuations in price or dealer's margin, designated as financial assets measured at fair value through other comprehensive income

After initial recognition, a financial asset measured at fair value through other comprehensive income is measured at fair value. Gain and loss from changes in fair value, other than dividend income and interest income amortized using effective interest method and exchange differences arising on monetary items which are recognized directly in income as interest income or expense, are recognized as other comprehensive income in equity.

At disposal of financial assets measured at fair value through other comprehensive income, cumulative gain or loss is recognized as profit or loss for the reporting period. However, cumulative gain or loss of equity instrument designated as fair value through other comprehensive income are not recycled to profit or loss at disposal.

Financial assets measured at fair value through other comprehensive income denominated in foreign currencies are translated at the closing rate. Exchange differences resulting from changes in amortized cost are recognized in profit or loss, and other changes are recognized as equity.

3) Financial assets measured at amortized cost

A financial asset, which are held within the business model whose objective is to collect contractual cash flows and with contractual cash flow that is composed of solely payments of principal and interest on the principal amount outstanding, are classified as a financial asset measured at amortized cost.

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest method.

(b) Recognition and Measurement

The Group recognizes a financial asset in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets (a purchase or sale of a financial asset under a contract whose terms require delivery of the financial instruments within the time frame established generally by market regulation or practice) is recognized and derecognized using trade date accounting.

At initial recognition, a financial asset is measured at its fair value plus or minus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. The fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of a financial asset 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.

After initial recognition, financial assets are subsequently measured at amortized cost or fair value based on classification at initial recognition.

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 on initial recognition after below adjustments:

- 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
- minus any reduction (directly or through the use of an allowance account) due to impairment or write-off

*2) Fair value*

Fair values, which the Group primarily uses for the measurement of financial instruments, are the published price quotations based on market prices or dealer price quotations of financial instruments traded in an active market where available. These are the best evidence of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity in the same industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Group uses valuation models that are commonly used by market participants and customized for the Group to determine fair values of common over-the-counter (OTC) derivatives such as options, interest rate swaps and currency swaps which are based on the inputs observable in markets. For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally used within the industry, or a value measured by an independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not market observable and therefore it is necessary to estimate fair value based on certain assumptions.

The Group classifies and discloses fair value of financial instruments into the following three-level hierarchy:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity 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(e.g. price) or indirectly(e.g. deducted from the price)
Level 3 : inputs to assets or liabilities not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

If the valuation technique does not reflect all factors which market participants would consider in setting a price, the fair value is adjusted to reflect those factors. Those factors include counterparty credit risk, bid-ask spread, liquidity risk and others.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with economic methodologies applied for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests its validity using prices of observable current market transactions of the same instrument or based on other relevant observable market data.

(c) Expected Credit Loss of Financial Assets (Debt Instruments)

The Group measures expected credit loss and recognizes loss allowance at the end of the reporting period for financial assets measured at amortized cost and fair value through other comprehensive income with the exception of financial asset measured at fair value through profit or loss.

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Group measures expected credit losses by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions.

The Group uses the following three measurement techniques in accordance with Korean IFRS:

- General approach: for financial assets and off-balance-sheet unused credit line that are not applied below two approaches
- Simplified approach: for receivables, contract assets and lease receivables
- Credit-impaired approach: for purchased or originated credit-impaired financial assets

Different measurement approaches are applied depending on significant increase in credit risk. 12 month expected credit losses is recognized when credit risk has not significantly increased since initial recognition. A loss allowance at an amount equal to lifetime expected credit losses is recognized when credit risk has significantly increased since initial recognition. Lifetime is presumed to be a period to the contractual maturity date of a financial asset (the expected life of the financial asset).

One or more of the following items is deemed significant increase in credit risk. When the contractual cash flows of a financial asset are renegotiated or otherwise modified, the Group determines whether the credit risk has increased significantly since initial recognition using the following information.

- past due for a certain period
- decline in credit ratings at period end by more than certain notches as compared to that at initial recognition

- decline in credit ratings below certain level at period end
- customer that has revolving asset with limit utilization ratio over certain level or uses revolving cash advances
- customer who have transaction suspension history due to certain conditions during recent period, and etc.

Under simplified approach, the Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses. Under credit-impaired approach, the Group shall only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance.

The Group generally deems one or more of the following items credit-impaired:

- past due for 90 days or more
- legal proceedings related to collection
- a borrower that has received a warning from the Korea Federation of banks
- refinancing
- debt restructuring, etc.

1) Forward-looking information

The Group takes account of the counterparty information and the economic fluctuation factors measured and estimated as at December 31, 2019 to incorporate the forward-looking information for Expected Credit Losses measurement. The economic fluctuation factors are calculated by KB Financial Group Research Institute by considering comprehensive information such as business plan scenarios and external agencies' forecast.

The Probability of Default ("PD") used to measure expected credit losses has correlation with the economic fluctuation in a certain level, and the Group estimates the expected credit losses by reflecting forward-looking information in the PD through correlation modelling between macroeconomic variables and PD.

The Group has performed analysis on historical data to identify the key macroeconomic variables required for estimation of credit risk. Based on the historical data, the correlation between the key macroeconomic variables and the credit risk is derived as follows:

| Key macroeconomic variables | Correlation between the major macroeconomic variables and the credit risk |
|---|---|
| Domestic GDP growth rate | (-) |
| Overnight call rate changes compare to previous year(%P) | (+) |
| Housing transaction price index | (-) |
| Composite stock index | (-) |

| | |
|---|---|
| Retail loan change rate | (-) |

In order to mitigate the uncertainties in estimating the expected credit losses, the Group regularly receives verification of the model incorporated with forward-looking information from KB Financial Group model verification unit.

2) Measuring expected credit losses on financial assets at amortized cost

The amount of the expected credit loss on financial assets at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. For this, the Group estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

For financial assets that are not individually significant, the Group collectively estimates expected credit loss by companying loans with homogeneous credit risk characteristics (collective assessment of impairment).

*- Individual assessment of impairment*

Individual assessment of impairment losses are calculated using management's best estimate on present value of expected future cash flows. The Group uses all the available information including operating cash flow of the borrower and net realizable value of any collateral held.

*- Collective assessment of impairment*

Collective assessment of loss allowance involves historical loss experience along with incorporation of forward-looking information. Such process incorporates factors such as type of collateral, product and borrowers, credit rating, size of portfolio and recovery period and applies probability of default (“PD”) on the basis of group of asses and loss given default (“LGD”) by type of recovery method. Also, the expected credit loss model involves certain assumption to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce gap between loss estimate and actual loss experience.

Lifetime expected credit loss as at the end of the reporting period is calculated by product of carrying amount net of expected repayment, PD for each period and LGD adjusted by change in carrying amount.

3) Measuring expected credit losses on financial assets measured at fair value through other comprehensive income

Measuring method of expected credit losses on financial assets measured at fair value through other comprehensive income is equal to the method of financial assets measured at amortized cost, except for changes in loss allowances that are recognized as other comprehensive income. Amounts recognized in other comprehensive income for sale or repayment of financial assets measured at fair value through other comprehensive income are reclassified to profit or loss.

(4) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

**3.4 Financial Liabilities**

The Group classifies financial liabilities into financial liabilities measured 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.

(a) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities measured at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

In addition, for the amount of change in the fair value of the financial liability designated to be measured at fair value through profit or loss that is attributable to changes in the credit risk of that liability, the Group present this change in other comprehensive income, and does not recycle this other comprehensive income to profit or loss, subsequently. When this treatment create or enlarge an accounting mismatch, the Group recognizes this change as profit or loss for the current period.

(b) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities measured at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities include deposits, debts, debentures and others. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position only when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(c) Insurance Contracts

Insurance contracts are defined as "a contract under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder". A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. The Group recognizes assets (liabilities) and gains (losses) relating to insurance contracts as other assets (liabilities) in the consolidated statements of financial position, and as other operating income (expenses) in the consolidated statements of comprehensive income, respectively

The Group recognizes a liability for future claims and related expenses as follows:

*(a) Reserve for outstanding claims*

A reserve for outstanding claims refers to the amount not yet paid, out of an amount to be paid or expected to be paid with respect to the insured events which have arisen as of the end of each fiscal year.

*(b) Unearned premium reserve*

Unearned premium refers to the portion of the premium that has been paid in advance for insurance that has not yet been provided. An unearned premium reserve refers to the amount maintained by the insurer to refund in the event of either party cancelling the contract.

**3.5 Derivative Financial Instruments**

The Group enters into derivative financial instrument contracts such as interest rate swaps, to manage its exposures to fluctuations in interest rates and others. These derivative financial instruments are presented as derivative financial instruments within the financial statements irrespective of transaction purpose and subsequent measurement requirement.

The Group designates derivatives as hedging instruments to hedge the risk of changes in cash flow (cash flow hedge) of a recognized asset or liability.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. The associated gains or losses that were previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affects profit or loss. Cash flow hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. When the cash flow hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that have been recognized in other comprehensive income are reclassified to profit or loss over the year in which the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gains or losses that had been recognized in other comprehensive income are immediately reclassified to profit or loss.

### 3.6 Property and Equipment

#### 3.6.1 Recognition and Measurement

All property and equipment are initially recognized at its cost and subsequently stated at cost less accumulated depreciation and accumulated impairment loss.

The cost of property and equipment includes costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the estimated costs of dismantling, removing, or restoring the related assets such as leasehold improvements.

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 an asset has a useful life different from that of the entire asset, it is recognized as a separate asset.

#### 3.6.2 Depreciation

Among property and equipment, land is not depreciated, whereas other property and equipment are depreciated using the method that faithfully represents the expected consumption pattern over the useful life listed as below. The depreciable amount of an asset is the cost after deducting its residual value.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.
The depreciation methods and estimated useful lives of the assets are as follows:

| Property and equipment | Depreciation method | Estimated useful lives |
|---|---|---|
| Buildings | Straight-line | 40 years |
| Leasehold improvements | Declining-balance | 4 years |
| Equipment and furniture | Declining-balance | 4 years |
| Right-of-use asset | Straight-line<br>Declining-balance | 1~10 years |

The residual values and useful lives of the assets are reviewed at the end of each financial year. If there is any difference from the previous estimation, the difference is accounted for as a change in accounting estimate.

### 3.7 Intangible Assets

All intangible assets are initially recognized at cost and subsequently stated at thecost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized when the asset is available for use using the straight-line method with no residual value over the following estimated useful economic lives:

| Intangible assets | Amortization method | Estimated useful lives |
|---|---|---|
| Industrial property rights | Straight-line | 3~10 years |

| | | |
|---|---|---|
| Software | Straight-line | 3~5 years |
| Others | Straight-line | 4~10 years |
| Right-of-use asset | Straight-line | 5 years |

The amortization period and the amortization method of intangible assets with a definite useful life are reviewed at each reporting period. Intangible assets with an indefinite useful life are reviewed at each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment. If there is any change, it is accounted for as a change in an accounting estimate.

Subsequent costs are only capitalized if the costs increase the economic benefits. Other costs, such as goodwill developed internally or brand are immediately recognized as expense.

(a) Goodwill

*-Recognition and measurement*

Goodwill acquired from business combinations is initially measured as the excess of the aggregate of the consideration transferred, fair value of non-controlling interest and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized in profit or loss.

For each business combination, the Group decides whether the non-controlling interest in the acquiree is initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets at the acquisition date.

Acquisition-related costs incurred to effect a business combination are charged to expenses in the periods in which the costs are incurred and the services are received, except for the costs to issue debt or equity securities.

*-Additional acquisitions of non-controlling interest*

Additional acquisitions of non-controlling interests are accounted for as equity transactions. Therefore, no additional goodwill is recognized.

*-Subsequent measurement*

Goodwill is not amortized and is stated at cost less accumulated impairment losses. However, goodwill that forms part of the carrying amount of an investment in associates is not separately recognized and an impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment in the associates.

**3.8 Leases**

As explained in Note 2 above, the Group has changed its accounting policy for leases. The impact of the new accounting policies is disclosed in Note 37.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group was not required to make any adjustments to the accounting treatment for assets held as a lessor due to the adoption of the new leasing standard.

At inception of a contract, the Group is required to assess whether the contract is, or contains, a lease. Also, at the date of initial application, the Group has assessed whether the contracts held are, or contain, a lease in accordance with the standard. However, the Group did not reassess all contracts as the Group elected to apply the practical expedient to contracts that were not previously identified to contain a lease. On the basis of the date of initial application, the Group assesses whether the contract is, or contains, a lease.

Contracts may contain both lease and non-lease components. The Group applies the practical expedient and has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

A lessee is required to recognize a right-of-use asset (lease assets) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs

However, short-term lease (lease that, at the commencement date, has a lease term of 12 months or less) and lease of low-value assets (For example, underlying leased asset under $ 5,000) are permitted to elect exceptional conditions.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term.

Related to sale and leaseback, an entity (seller-lessee) is required to applying Korean IFRS 1115 'Revenue from Contracts with Customers' to determine whether the transfer of an asset is accounted for as a sale of that asset. However, the Group has not reassessed sale and leaseback transactions entered into before the date of initial application

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. However, as the IFRS Interpretations Committee (IFRIC) published an interpretation on the enforceable period of a lease under IFRS 16, “Leases”, the Group is assessing the impact that the change in accounting policy of enforceable period will have on the Group’s financial statements, and the Group will reflect it in the financial statements once the assessment is completed.

**3.9 Impairment of Non-financial Assets**

The Group assesses at the end of each reporting period whether there is any indication that a non-financial asset, except for (i) deferred income tax assets, (ii) assets arising from employee benefits and (iii) non-current assets (or group of assets to be sold) classified as held for sale, may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. However, irrespective of whether there is any indication of impairment, the Group tests (i) goodwill acquired in a business combination, (ii) intangible assets with an indefinite useful life and (iii) intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount.

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit that are discounted by a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If, and only 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.

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.

**3.10 Provisions**

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

In reaching the best estimate of a provision, the risks and uncertainties that inevitably surround many events and circumstances is taken into account and where the effect of the time value of money is material, the amount of a provision are measured at the present value of the expenditures expected to be required to settle the obligation. Provisions for unused loan commitments are recognized using valuation model that applies credit conversion factor, default rates, and loss given default.

Provisions are reviewed at 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.

When an onerous contract is incurred, related present obligation is recognized and measured as provisions. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the 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 the failure to fulfill it.

**3.11 Employee Benefits**

**3.11.1 Post-employment benefits**

**Defined benefit plans**

All post-employment benefits, other than defined contribution plans, are classified as defined benefit plans. The amount recognized as a net defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses including experience adjustments and the effects of changes in actuarial assumptions are recognized in other comprehensive income (loss).

When the total of the present value of the defined benefit obligation minus the fair value of plan assets results in an asset, it is recognized to the extent of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Past service cost is the change in the present value of the defined benefit obligation, which arises when the Group introduces a defined benefit plan or changes the benefits of an existing defined benefit plan. Such past service cost is immediately recognized as an expense for the year.

**Defined contribution plans**

The contributions are recognized as employee benefit expense when they are due.

### 3.11.2 Short-term Employee Benefits

Short-term employee benefits that are due to be settled within twelve months after the end of the fiscal period in which the employees render the related service, are recognized as profits or loss when an employee has provided service for the amount expected to be paid in exchange for service. Short-term employee benefits are measured on an undiscounted basis.
The expected cost of profit-sharing and bonus payments are recognized as liabilities when the Group has legal or constructive obligation for payment as a result of past service rendered by employees and a reliable estimate of the obligation can be made.

### 3.11.3 Share-based Payment

The Group measures cash-settled share-based payment at fair value on grant date. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the year.

### 3.11.4 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of Korean IFRS 1037 and involves the payment of terminations benefits.

## 3.12 Capital Stock

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or the exercise of stock options are deducted, net of tax, from the equity.

### 3.13 Income Tax Expense

The income tax expense for the year consists of current tax and deferred tax. Income tax is recognized in the current profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, respectively.

#### 3.13.1 Current Income Tax

Current income tax charge is calculated on taxable profits for the reporting period. There is a difference between taxable profits and accounting profit in the statement of income as taxable profits excludes profit or loss added or deducted in other periods and non-taxable or deductible items. Income tax payable, related to current income tax charge, is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

The Group offsets current tax assets and current tax liabilities when the Group has a legally enforceable right to set off the recognized amount and intends to settle on a net basis.

#### 3.13.2 Deferred Income Tax

Deferred income tax is computed using the asset-liability method, on temporary differences arising between the tax based amount of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized when it is probable that future taxable profit will be available against which the temporary differences can be utilized. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The carrying amount of a deferred income tax asset is reviewed at each reporting period and the carrying amount of a deferred tax asset is reduced when future taxable profit is no longer available against the deferred income tax assets to be utilized. Reduced deferred income tax asset is reversed to the limit of future taxable profit when future taxable profit becomes available. Unrecognized deferred income tax asset is reviewed in each reporting period and if the probability of recovery of deferred income tax asset increases by future taxable profit, deferred income tax asset becomes recognizable.

Deferred income tax assets and liabilities are determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets deferred income tax assets and deferred income tax liabilities when the Group has a legally enforceable right to 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.

### 3.13.3 Uncertain Tax Positions

Uncertain tax positions arise from tax treatments applied by the Group which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, a claim for rectification brought by the Group, or an appeal for a refund claimed from the tax authorities related to the additional assessments. The Group recognizes its uncertain tax positions in the consolidated financial statements based on the guidance in Korean IFRS 1012, *Income Taxes*.

The income tax asset is recognized if a tax refund is probable for taxes paid due to uncertain tax positions and if improbable, the income tax expenses are recognized. However, additional tax and additional dues on tax refund are recognized in accordance with Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*.

### 3.14 Revenue Recognition

The Group recognizes revenues in accordance with the following revenue recognition standard:

- 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.

(a) Interest income

Interest income of financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income are recognized in statements of comprehensive Income using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid(main components of effective interest rates only) or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or Group of financial instruments), the Group uses the contractual cash flows over the full contractual term of the financial instrument (or Group of financial instruments).

Interest on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned arising from debt investments at fair value through profit or loss is also recognized as interest income in statements of comprehensive income.

(b) Fee and commission income

The Group recognizes financial service fees in accordance with the accounting standard of the financial instrument related to the fees earned below.

*- Fees that are an integral part of the effective interest of a financial instrument*

Such fees are generally treated as adjustments of effective interest. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction and origination fees received on issuing financial liabilities measured at amortized cost. However, fees relating to the creation or acquisition of a financial instrument measured at fair value through profit or loss are recognized as revenue immediately.

*- Fees earned as services are provided*

Such fees are recognized as revenue as the services are provided.

*- Fees that are earned on the execution of a significant act*

Such fees are recognized as revenue when the significant act has been completed.

(c) Net gains (losses) on financial instruments at fair value through profit or loss

Net gains (losses) on financial instruments at fair value through profit or loss include profit or loss (changes in fair value, dividends, and gain and loss from foreign currency translation) from following financial instruments:

- Gain or loss from financial instruments at fair value through profit or loss
- Gain or loss from derivatives for trading, including derivatives for hedging that does not meet the condition of hedge accounting

(d) Dividend income

Dividend income is recognized as revenue when the right to receive payment is established. Dividend income is recognized as relevant items on statements of comprehensive income in accordance with the classification of equity instruments.

### 3.15 Operating Segments

Operating segments are components of the Group about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has a single reportable segment. Accordingly, information about segment assets, liabilities and profit or loss is not disclosed.

## 4. Financial Risk Management

### 4.1 Overview of Risk Management Policies

The risks that the Group is exposed to are credit risk, market risk, liquidity risk, and others. The note regarding financial risk management provides information about the risks that the Group is exposed to, the objective, policies and process for managing the risk, and the methods used to measure the risk.

### 4.2 Risk Management System

As an ultimate decision-making authority, the Risk Management Committee determines and approves risk management policies and strategies in accordance with the directives of the Board of Directors in order to recognize, measure, monitor and control risk arising from transactions of the Group. The Committee holds and runs the Risk Management Council as affiliated organization consists of managers to effectively conduct such process.

The Group recognizes the risks that may arise throughout the credit card business cycle of 'recruitment, customer retention and loss management'. In order to manage each risk, the Group formulates risk management policies by establishing credit portfolio guidelines, establishing asset and liability management standards, and restoring delegation criteria for collection of bad debts.

The Group also set a limit for each risk as well as whole risk, and regularly monitors whether the risk is managed within the limits.

### 4.3 Credit Risk

#### 4.3.1 Overview of Credit Risk

Credit risk is the risk of financial loss that the customer or a counterparty will not be able to fulfill its contractual obligations. In principle, the risk arises from the loans or securities. The Group considers all factors that are exposed to credit risk such as the each borrower's default or contractual default. The Group defines default as identically as defaults in estimating New BIS capital adequacy ratio.

#### 4.3.2 Credit Risk Management

The Group sets the Risk Management Division that focuses on credit risk management to establish the Group’s credit risk management system. The Risk Management Division is responsible for managing the Group’s credit risk economic capital limit, monitoring portfolios and managing credit valuation models and others.

- The Group sets goals of the expected loss and economic capital on assets that are subject to credit risk management and monitors them and reports to the Risk Management Committee.

- The Group also monitors each asset quality, such as the ratio of loans past due over one month and normalcy deposit rate of credit card, and sets tolerance level in its business plan and manages within the limit of the same level as a credit risk management.

- To cope with economic depressions, the Group reserves allowances for loans losses and calculates expected losses using the average long-term probability of default.

### 4.3.3 Maximum Exposure to Credit Risk

The Group's maximum exposure to credit risk regarding financial instruments, excluding equity securities, without considering the value of collaterals as at December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | **Dec. 31, 2019** |
|---|---|
| Cash and due from financial institutions[1] | 205,659 |
| Financial assets measured at fair value through profit or loss | |
| Due from financial institutions | 30,014 |
| Short-term financial instruments(interest bearing) | 503,663 |
| Short-term financial instruments(non-interest bearing) | 30,000 |
| Debt securities | 7,631 |
| Derivatives | 18,785 |
| Loans measured at amortized cost[1] | 21,244,439 |
| Financial investments | |
| Securities measured at amortized cost[1] | 3,068 |
| Other financial assets[1] | 354,945 |
| Loan commitments | 60,981,908 |
| | 83,380,112 |

| *(In millions of Korean won)* | **Dec. 31, 2018** |
|---|---|
| Cash and due from financial institutions[1] | 204,921 |
| Financial assets measured at fair value through profit or loss | |
| Due from financial institutions | 190,290 |
| Short-term financial instruments(interest bearing) | 390,565 |
| Short-term financial instruments(non-interest bearing) | 100,024 |
| Derivatives | 1,865 |
| Loans measured at amortized cost[1] | 18,788,966 |
| Other financial assets[1] | 378,523 |
| Loan commitments | 54,775,592 |
| | 74,830,746 |

[1] Net of loss allowance.

### 4.3.4 Credit Risk of Loans Measured at Amortized Cost

The Group maintains allowances for loan losses associated with credit risk on loans measured at amortized cost to manage its credit risk.

The Group assesses expected credit loss on financial asset measured at amortized cost and financial asset measured at fair value through other comprehensive income except financial asset measured at fair value through profit or loss, and recognizes loss allowance. Expected credit losses are a probability-weighted estimate of possible credit losses within certain range by of period reflecting reasonable and supportable information that which is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions. The Group assesses the expected credit losses for loans classified as financial assets measured at amortized cost, and presents it as 'allowance for loan losses' account netting from the related carrying amounts. For the expected credit losses for loans classified as financial assets measured at fair value through other comprehensive income, the Group presents it as other comprehensive income.

(a) Exposure to Credit Risk

Credit quality of loans measured at amortized cost as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired [1] | |
| Loans measured at amortized cost | | | | |
| Credit card assets | | | | |
| Grade 1 | 8,428,948 | 96,051 | - | 8,524,999 |
| Grade 2 | 5,696,184 | 718,858 | - | 6,415,042 |
| Grade 3 | 1,558,804 | 1,161,591 | - | 2,720,395 |
| Grade 4 | 26,391 | 390,954 | - | 417,345 |
| Grade 5 | 349 | 135,630 | 474,327 | 610,306 |
| Subtotal | 15,710,676 | 2,503,084 | 474,327 | 18,688,087 |
| Credit loss allowance | (209,660) | (266,181) | (263,877) | (739,718) |
| Factored receivables | | | | |
| Grade 1 | - | - | - | - |
| Grade 2 | - | - | - | - |
| Grade 3 | - | - | - | - |
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | 120 | 120 |
| Subtotal | - | - | 120 | 120 |
| Credit loss allowance | - | - | (41) | (41) |
| General loans | | | | |
| Grade 1 | 45,194 | 914 | - | 46,108 |
| Grade 2 | 43,106 | 1,845 | - | 44,951 |
| Grade 3 | 166,318 | 23,188 | - | 189,506 |
| Grade 4 | 1,674 | 4,356 | - | 6,030 |
| Grade 5 | 314 | 8,501 | 6,658 | 15,473 |
| Subtotal | 256,606 | 38,804 | 6,658 | 302,068 |
| Credit loss allowance | (12,125) | (5,991) | (4,194) | (22,310) |
| Installment loans | | | | |
| Grade 1 | 2,369,437 | 34,921 | - | 2,404,358 |
| Grade 2 | 263,635 | 101,375 | - | 365,010 |
| Grade 3 | 11,016 | 57,735 | - | 68,751 |
| Grade 4 | 354 | - | - | 354 |
| Grade 5 | - | 6,195 | 12,845 | 19,040 |
| Subtotal | 2,644,442 | 200,226 | 12,845 | 2,857,513 |
| Credit loss allowance | (6,932) | (8,374) | (9,861) | (25,167) |
| Privately placed bonds | | | | |
| Grade 1 | - | - | - | - |
| Grade 2 | - | - | - | - |
| Grade 3 | 14,472 | - | - | 14,472 |
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | - | - |

| | | | | |
|---|---|---|---|---|
| Subtotal | 14,472 | - | - | 14,472 |
| Credit loss allowance | (948) | - | - | (948) |
| Lease receivables | | | | |
| Grade 1 | 163,845 | - | - | 163,845 |
| Grade 2 | 2,376 | 4,495 | - | 6,871 |
| Grade 3 | - | - | - | - |
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | - | - |
| Subtotal | 166,221 | 4,495 | - | 170,716 |
| Credit loss allowance | (218) | (135) | - | (353) |
| Total | 18,562,534 | 2,465,928 | 215,977 | 21,244,439 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired [1] | |
| Loans measured at amortized cost | | | | |
| Credit card assets | | | | |
| Grade 1 | 8,445,142 | 176,312 | - | 8,621,454 |
| Grade 2 | 4,450,143 | 587,254 | - | 5,037,397 |
| Grade 3 | 1,460,344 | 1,228,088 | - | 2,688,432 |
| Grade 4 | 6,004 | 467,012 | - | 473,016 |
| Grade 5 | 112 | 148,149 | 419,444 | 567,705 |
| Subtotal | 14,361,745 | 2,606,815 | 419,444 | 17,388,004 |
| Credit loss allowance | (180,475) | (290,024) | (240,449) | (710,948) |
| Factored receivables | | | | |
| Grade 1 | 192 | - | - | 192 |
| Grade 2 | - | - | - | - |
| Grade 3 | - | - | - | - |
| Grade 4 | 1 | - | - | 1 |
| Grade 5 | - | 20 | 237 | 257 |
| Subtotal | 193 | 20 | 237 | 450 |
| Credit loss allowance | - | (1) | (46) | (47) |
| General loans | | | | |
| Grade 1 | 22,463 | 88 | - | 22,551 |
| Grade 2 | 33,563 | 1,502 | - | 35,065 |
| Grade 3 | 134,709 | 19,247 | - | 153,956 |
| Grade 4 | 3,840 | 4,447 | - | 8,287 |
| Grade 5 | 134 | 6,381 | 4,802 | 11,317 |
| Subtotal | 194,709 | 31,665 | 4,802 | 231,176 |
| Credit loss allowance | (9,994) | (4,948) | (3,164) | (18,106) |
| Installment loans | | | | |
| Grade 1 | 1,553,570 | 13,435 | - | 1,567,005 |
| Grade 2 | 169,137 | 61,165 | - | 230,302 |
| Grade 3 | 6,654 | 43,063 | - | 49,717 |
| Grade 4 | 204 | 24 | - | 228 |
| Grade 5 | - | 4,470 | 4,881 | 9,351 |
| Subtotal | 1,729,565 | 122,157 | 4,881 | 1,856,603 |
| Credit loss allowance | (4,192) | (8,094) | (3,707) | (15,993) |
| Privately placed bonds | | | | |
| Grade 1 | - | - | - | - |
| Grade 2 | - | - | - | - |
| Grade 3 | 32,611 | - | - | 32,611 |

| | | | | |
|---|---|---|---|---|
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | - | - |
| Subtotal | 32,611 | - | - | 32,611 |
| Credit loss allowance | (2,037) | - | - | (2,037) |
| Lease receivables | | | | |
| Grade 1 | 27,283 | - | - | 27,283 |
| Grade 2 | - | - | - | - |
| Grade 3 | - | - | - | - |
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | - | - |
| Subtotal | 27,283 | - | - | 27,283 |
| Credit loss allowance | (30) | - | - | (30) |
| Total | 16,149,378 | 2,457,590 | 181,998 | 18,788,966 |

[1] There is no impaired loans measured at amortized cost subjected to individual assessment.

Credit quality of loan commitments and financial guarantee contracts as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Loan commitments | | | | |
| Grade 1 | 54,732,728 | 146,667 | - | 54,879,395 |
| Grade 2 | 4,910,050 | 527,126 | - | 5,437,176 |
| Grade 3 | 275,384 | 221,770 | - | 497,154 |
| Grade 4 | 19,500 | 103,495 | - | 122,995 |
| Grade 5 | 80 | 12,493 | 32,615 | 45,188 |
| Subtotal | 59,937,742 | 1,011,551 | 32,615 | 60,981,908 |
| Provisions | 66,190 | 36,789 | 9,314 | 112,293 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Loan commitments | | | | |
| Grade 1 | 50,558,226 | 238,266 | - | 50,796,492 |
| Grade 2 | 2,857,976 | 411,242 | - | 3,269,218 |
| Grade 3 | 281,285 | 249,347 | - | 530,632 |
| Grade 4 | 9,663 | 122,400 | - | 132,063 |
| Grade 5 | 134 | 13,350 | 33,703 | 47,187 |
| Subtotal | 53,707,284 | 1,034,605 | 33,703 | 54,775,592 |
| Provisions | 57,775 | 40,021 | 8,795 | 106,591 |

Credit quality of loans measured at amortized cost are classified as follows, according to the range of PD.

| | | Range of PD(%) | | | |
|---|---|---|---|---|---|
| Grade 1 | exceeded | 0.0 | - | on or below | 1.0 |
| Grade 2 | exceeded | 1.0 | - | on or below | 5.0 |
| Grade 3 | exceeded | 5.0 | - | on or below | 15.0 |
| Grade 4 | exceeded | 15.0 | - | on or below | 30.0 |
| Grade 5 | exceeded | 30.0 | | | |

(b) Effect of Mitigating Credit Risk by Collateral

The extent to which collateral and other credit enhancements mitigate credit risk as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Guarantee[1] | - | - | 83 | 83 |
| Movable assets[1] | 312,598 | 68,604 | 1,937 | 383,139 |
| Real estate | 27,480 | 259 | 283 | 28,022 |
| Total | 340,078 | 68,863 | 2,303 | 411,244 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Guarantee[1] | 1,295 | 20 | 220 | 1,535 |
| Movable assets[1] | 202,612 | 46,524 | 3,598 | 252,734 |
| Real estate | 9,178 | - | - | 9,178 |
| Total | 213,085 | 46,544 | 3,818 | 263,447 |

[1] The Group's factored receivables, general loans, installment loans, privately placed bonds and lease receivables are partially guaranteed by letter of guarantee, car collateralization and etc.

### 4.3.5 Credit risk of Securities Measured at Amortized Cost

Credit quality of securities measured at amortized cost excluding equity securities as at December 31, 2019, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired [1] | |
| Securities measured at amortized cost | | | | |
| Grade 1 | 3,068 | - | - | 3,068 |
| Grade 2 | - | - | - | - |
| Grade 3 | - | - | - | - |
| Grade 4 | - | - | - | - |
| Grade 5 | - | - | - | - |
| Subtotal | 3,068 | - | - | 3,068 |
| Provisions | - | - | - | - |

Credit quality of securities measured at amortized cost is classified as follows, according to the range of PD.

| | Range of PD(%) | | | | |
|---|---|---|---|---|---|
| Grade 1 | exceeded | 0.0 | - | on or below | 1.0 |
| Grade 2 | exceeded | 1.0 | - | on or below | 5.0 |
| Grade 3 | exceeded | 5.0 | - | on or below | 15.0 |
| Grade 4 | exceeded | 15.0 | - | on or below | 30.0 |
| Grade 5 | exceeded | 30.0 | | | |

### 4.3.6 Credit risk of due from financial institutions

Credit quality of due from financial institutions as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | |
|---|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Financial instruments not applying expected credit losses | Total |
| | | Non-impaired | Impaired | | |
| Due from financial institutions measured at amortized cost | | | | | |
| Grade 1 | 205,663 | - | - | - | 205,663 |
| Grade 2 | - | - | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| Grade 3 | - | - | - | - | - |
| Grade 4 | - | - | - | - | - |
| Grade 5 | - | - | - | - | - |
| Subtotal | 205,663 | - | - | - | 205,663 |
| Credit loss allowance | (4) | - | - | - | (4) |
| Total | 205,659 | - | - | - | 205,659 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | | |
|---|---|---|---|---|---|
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | Financial instruments not applying expected credit losses | Total |
| | | Non-impaired | Impaired | | |
| Due from financial institutions measured at amortized cost | | | | | |
| Grade 1 | 204,923 | - | - | - | 204,923 |
| Grade 2 | - | - | - | - | - |
| Grade 3 | - | - | - | - | - |
| Grade 4 | - | - | - | - | - |
| Grade 5 | - | - | - | - | - |
| Subtotal | 204,923 | - | - | - | 204,923 |
| Credit loss allowance | (2) | - | - | - | (2) |
| Total | 204,921 | - | - | - | 204,921 |

Credit quality of due from financial institutions is classified as follows, according to the range of PD.

| | Range of PD(%) | | | | |
|---|---|---|---|---|---|
| Grade 1 | exceeded | 0.0 | - | on or below | 1.0 |
| Grade 2 | exceeded | 1.0 | - | on or below | 5.0 |
| Grade 3 | exceeded | 5.0 | - | on or below | 15.0 |
| Grade 4 | exceeded | 15.0 | - | on or below | 30.0 |
| Grade 5 | exceeded | 30.0 | | | |

**4.3.7** There is no collateral and other credit enhancement which mitigates credit risk of due from financial institutions, financial assets measured at fair value through profit or loss(except equity securities) and derivative financial assets as at December 31, 2019 and 2018.

### 4.3.8 Credit Risk Concentration Analysis

(a) The Group's credit exposure of loans measured at amortized cost by country of domicile of its counterparties, as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit cart assets | | | | | | | | | | | |
| | Credit sales | Short-term card loan (Cash advances) | Long-term card loan (Card loans) | Others | Factored receivables | General loans | Installment loans | Privately placed bonds | Lease receivables | Total | Allowances | Carrying amount |
| Korea | 12,017,268 | 1,208,206 | 5,345,430 | 110,884 | 120 | 258,202 | 2,808,466 | - | 170,716 | 21,919,292 | (785,892) | 21,133,400 |
| Others | - | - | - | 6,299 | - | 43,866 | 49,047 | 14,472 | - | 113,684 | (2,645) | 111,039 |
| | 12,017,268 | 1,208,206 | 5,345,430 | 117,183 | 120 | 302,068 | 2,857,513 | 14,472 | 170,716 | 22,032,976 | (788,537) | 21,244,439 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit cart assets | | | | | | | | | | | |
| | Credit sales | Short-term card loan (Cash advances) | Long-term card loan (Card loans) | Others | Factored receivables | General loans | Installment loans | Privately placed bonds | Lease receivables | Total | Allowances | Carrying amount |
| Korea | 11,088,168 | 1,257,081 | 4,942,241 | 92,680 | 450 | 212,651 | 1,844,562 | - | 27,283 | 19,465,116 | (744,764) | 18,720,352 |
| Others | - | - | - | 7,834 | - | 18,525 | 12,041 | 32,611 | - | 71,011 | (2,397) | 68,614 |
| | 11,088,168 | 1,257,081 | 4,942,241 | 100,514 | 450 | 231,176 | 1,856,603 | 32,611 | 27,283 | 19,536,127 | (747,161) | 18,788,966 |

(b) The details of the Group's credit exposure of loans measured at amortized cost by industry, as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit card assets | | | | | | | | | | | |
| | Credit sales | Short-term card loan (Cash advances) | Long-term card loan (Card loans) | Others | Factored Receivables | General loans | Installment loans | Privately placed bonds | Lease receivables | Total | Allowances | Carrying amount |
| Financial institutions | 80,044 | - | - | 102,617 | - | 2,294 | 25 | 14,472 | - | 199,452 | (1,676) | 197,776 |
| Service | 294,209 | 6 | - | 2,872 | - | 38 | 7,248 | - | 170,716 | 475,089 | (8,402) | 466,687 |
| Manufacturing | 166,588 | 4 | - | 1,551 | - | 60 | 8,942 | - | - | 177,145 | (7,232) | 169,913 |
| Public sector | 6,085 | - | - | 3 | - | - | 545 | - | - | 6,633 | (180) | 6,453 |
| Construction | 86,750 | 1 | - | 3,132 | - | 9 | 9,825 | - | - | 99,717 | (3,435) | 96,282 |
| Wholesale and retail | 189,923 | 4 | - | 5,484 | - | 15 | 6,019 | - | - | 201,445 | (9,175) | 192,270 |
| Others | 205,916 | 1 | - | 150 | 3 | 1,793 | 6,096 | - | - | 213,959 | (7,419) | 206,540 |
| Retail customers | 10,987,753 | 1,208,190 | 5,345,430 | 1,374 | 117 | 297,859 | 2,818,813 | - | - | 20,659,536 | (751,018) | 19,908,518 |
| | 12,017,268 | 1,208,206 | 5,345,430 | 117,183 | 120 | 302,068 | 2,857,513 | 14,472 | 170,716 | 22,032,976 | (788,537) | 21,244,439 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit card assets | | | | | | | | | | | |
| | Credit sales | Short-term card loan (Cash advances) | Long-term card loan (Card loans) | Others | Factored Receivables | General loans | Installment loans | Privately placed bonds | Lease receivables | Total | Allowances | Carrying amount |
| Financial institutions | 79,931 | - | - | 59,613 | - | 4,361 | 34 | 32,611 | - | 176,550 | (2,480) | 174,070 |
| Service | 243,978 | 8 | - | 3,249 | - | 99 | 4,120 | - | 27,283 | 278,737 | (6,323) | 272,414 |
| Manufacturing | 145,400 | 2 | - | 2,101 | - | 116 | 5,553 | - | - | 153,172 | (7,340) | 145,832 |
| Public sector | 4,417 | - | - | 5 | - | - | 375 | - | - | 4,797 | (154) | 4,643 |
| Construction | 73,725 | 1 | - | 1,974 | - | 13 | 5,671 | - | - | 81,384 | (7,033) | 74,351 |
| Wholesale and retail | 189,867 | 4 | - | 2,904 | - | 23 | 3,129 | - | - | 195,927 | (3,708) | 192,219 |
| Others | 186,369 | 2 | - | 87 | 4 | 103 | 6,226 | - | - | 192,791 | (8,024) | 184,767 |
| Retail customers | 10,164,481 | 1,257,064 | 4,942,241 | 30,581 | 446 | 226,461 | 1,831,495 | - | - | 18,452,769 | (712,099) | 17,740,670 |
| | 11,088,168 | 1,257,081 | 4,942,241 | 100,514 | 450 | 231,176 | 1,856,603 | 32,611 | 27,283 | 19,536,127 | (747,161) | 18,788,966 |

(c) Details of the Group's credit risk concentration of due from financial institutions, financial assets measured at fair value through profit or loss (excluding equity securities) and derivative financial assets by country, as at December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | **Amount** | **%** | **Allowances** | **Carrying amount** |
| Due from financial institutions measured at amortized cost | | | | |
| Korea | 162,394 | 78.96 | (2) | 162,392 |
| Others | 43,269 | 21.04 | (2) | 43,267 |
| Due from financial institutions measured at fair value through profit or loss | | | | |
| Korea | 30,014 | 100.00 | - | 30,014 |
| Short-term financial instruments measured at fair value through profit or loss (interest bearing) | | | | |
| Korea | 503,663 | 100.00 | - | 503,663 |
| Short-term financial instruments measured at fair value through profit or loss (non-interest bearing) | | | | |
| Korea | 30,000 | 100.00 | - | 30,000 |
| Financial instruments measured at fair value through profit or loss (debt securities) | | | | |
| Korea | 7,631 | 100.00 | - | 7,631 |
| Securities measured at amortized cost (debt securities) | | | | |
| Others | 3,068 | 100.00 | - | 3,068 |
| Derivative financial assets | | | | |
| Korea | 18,785 | 100.00 | - | 18,785 |
| | 798,824 | | (4) | 798,820 |

| *(In millions of Korean won)* | Dec. 31, 2018 | | | |
|---|---|---|---|---|
| | **Amount** | **%** | **Allowances** | **Carrying amount** |
| Due from financial institutions measured at amortized cost | | | | |
| Korea | 194,715 | 95.02 | (2) | 194,713 |
| Others | 10,208 | 4.98 | - | 10,208 |
| Due from financial institutions measured at fair value through profit or loss | | | | |
| Korea | 190,290 | 100 | - | 190,290 |
| Short-term financial instruments measured at fair value through profit or loss (interest bearing) | | | | |
| Korea | 390,565 | 100 | - | 390,565 |
| Short-term financial instruments measured at fair value through profit or loss (non-interest bearing) | | | | |
| Korea | 100,024 | 100 | - | 100,024 |
| Derivative financial assets | | | | |
| Korea | 1,865 | 100 | - | 1,865 |
| | 887,667 | | (2) | 887,665 |

(d) Details of the Group's credit risk concentration of due from financial institutions, financial assets measured at fair value through profit or loss (excluding equity securities) and derivative financial assets by industry, as at December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | **Amount** | **%** | **Allowances** | **Carrying amount** |
| Due from financial institutions measured at amortized cost | | | | |
| Financial institutions | 205,663 | 100.00 | (4) | 205,659 |
| Due from financial institutions measured at fair value through profit or loss | | | | |
| Financial institutions | 30,014 | 100.00 | - | 30,014 |
| Short-term financial investments measured at fair value through profit or loss (interest) | | | | |
| Financial institutions | 503,663 | 100.00 | - | 503,663 |
| Short-term financial investments measured at fair value through profit or loss (non-interest) | | | | |
| Financial institutions | 30,000 | 100.00 | - | 30,000 |
| Financial instruments measured at fair value through profit or loss (debt securities) | | | | |
| Financial institutions | 7,631 | 100.00 | - | 7,631 |
| Securities measured at amortized cost (debt securities) | | | | |
| Financial institutions | 3,068 | 100.00 | - | 3,068 |
| Derivative financial assets | | | | |
| Financial institutions | 18,785 | 100.00 | - | 18,785 |
| | 798,824 | | (4) | 798,820 |

| *(In millions of Korean won)* | Dec. 31, 2018 | | | |
|---|---|---|---|---|
| | **Amount** | **%** | **Allowances** | **Carrying amount** |
| Due from financial institutions measured at amortized cost | | | | |
| Financial institutions | 204,923 | 100.00 | (2) | 204,921 |
| Due from financial institutions measured at fair value through profit or loss | | | | |
| Financial institutions | 190,290 | 100.00 | - | 190,290 |
| Short-term financial investments measured at fair value through profit or loss (interest) | | | | |
| Financial institutions | 390,565 | 100.00 | - | 390,565 |
| Short-term financial investments measured at fair value through profit or loss (non-interest) | | | | |
| Financial institutions | 100,024 | 100.00 | - | 100,024 |
| Derivative financial assets | | | | |
| Financial institutions | 1,865 | 100.00 | - | 1,865 |
| | 887,667 | | (2) | 887,665 |

### 4.4 Liquidity Risk

#### 4.4.1 Overview of Liquidity Risk

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and outflow of funds resulting from, for example, maturity mismatches, obtaining funds at a high price or disposing of assets at an unfavorable price due to lack of available funds. The Group manages its liquidity risk through analysis of the contractual maturity of all financial assets, liabilities and off-balance items such as loan commitments and guarantees by maturity groups: on demand, less than one month, between one month to three months, between three months to one year, between one year to five years and over five years.

Cash flows disclosed for the maturity analysis are undiscounted contractual principal and interest payments and, thus, differ from the amount in the consolidated financial statements which are based on present value of expected cash flow. Maturity analysis is based on contractual cash flows which are split into aforementioned maturity groups. The amount of interest received on assets or paid on liabilities in floating interest rate, are measured on an assumption that the current interest rate would be the same upon maturity.

#### 4.4.2 Liquidity Risk Management and Indicator

The liquidity risk is managed by risk management principle and related guideline which are applied to the risk management policies and procedures that address all the possible risks that arise from overall business of the Group.

For the purpose of liquidity management of the Group, liquidity ratio and accumulated liquidity gap ratio on all transactions affecting the in and out flows of funds and transactions of off-balance related to liquidity are measured, managed and reported to the Risk Management Council and Risk Management Committee on a regular basis.

#### 4.4.3 Analysis on Remaining Contractual Maturity of Financial Assets, Liabilities and Off-balance Items

(a) Remaining contractual maturity and amount of financial assets, liabilities and off-balance items excluding derivative financial instruments as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | On demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| **Financial assets** | | | | | | | |
| Cash and due from financial institutions [1] | 105,270 | - | - | 29,311 | - | - | 134,581 |
| Financial assets measured at fair value through profit or loss | - | 413,704 | 150,645 | - | 1,294 | 8,236 | 573,879 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Loans measured at amortized cost | - | 9,748,462 | 3,442,707 | 4,665,303 | 5,054,704 | 515,156 | 23,426,332 |
| Financial investments | - | - | - | - | 3,068 | 73,583 | 76,651 |
| Other assets | - | 247,416 | - | 47,003 | - | 38 | 294,457 |
| | 105,270 | 10,409,582 | 3,593,352 | 4,741,617 | 5,059,066 | 597,013 | 24,505,900 |
| **Financial liabilities** | | | | | | | |
| Debts | - | 172 | 120,608 | 854,611 | 158,159 | - | 1,133,550 |
| Debentures | - | 339,500 | 628,817 | 2,597,758 | 11,315,062 | 747,490 | 15,628,627 |
| Other liabilities | - | 2,286,304 | 10,162 | 42,504 | 22,241 | 264 | 2,361,475 |
| | - | 2,625,976 | 759,587 | 3,494,873 | 11,495,462 | 747,754 | 19,123,652 |
| **Off-balance items**[2] | | | | | | | |
| Unused loan commitments | 60,991,558 | - | - | - | - | - | 60,991,558 |
| | 60,991,558 | - | - | - | - | - | 60,991,558 |

[1] Excluding restricted amount due from the financial institutions amounting to ₩ 71,699 million.
[2] Off-statement of financial position items are classified as 'on demand'.

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **On demand** | **Up to 1 month** | **1-3 months** | **3-12 months** | **1-5 years** | **Over 5 years** | **Total** |
| **Financial assets** | | | | | | | |
| Cash and due from financial institutions [1] | 118,200 | 1,048 | 7,827 | - | - | - | 127,075 |
| Financial assets measured at fair value through profit or loss | - | 621,120 | 60,344 | - | - | 1,563 | 683,027 |
| Loans measured at amortized cost | - | 8,257,837 | 3,371,517 | 4,511,471 | 4,104,439 | 406,056 | 20,651,320 |
| Financial investments | - | - | - | - | - | 74,619 | 74,619 |
| Other assets | - | 270,811 | - | 47,646 | - | - | 318,457 |
| | 118,200 | 9,150,816 | 3,439,688 | 4,559,117 | 4,104,439 | 482,238 | 21,854,498 |
| **Financial liabilities** | | | | | | | |
| Debts | - | 100,000 | 170,000 | 230,000 | 121,651 | - | 621,651 |
| Debentures | - | 157,579 | 549,246 | 2,221,172 | 10,319,284 | 628,246 | 13,875,527 |
| Other liabilities | - | 2,250,099 | 6,046 | 36,151 | 7,408 | - | 2,299,704 |
| | - | 2,507,678 | 725,292 | 2,487,323 | 10,448,343 | 628,246 | 16,796,882 |

**Off-balance items[2]**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Unused loan commitments | 54,776,342 | - | - | - | - | - | 54,776,342 |
| | 54,776,342 | - | - | - | - | - | 54,776,342 |

[1] Excluding restricted amount due from the financial institutions amounting to ₩77,862 million.
[2] Off-statement of financial position items are classified as 'on demand'.

### (b) Analysis on Remaining Contractual Maturity of Derivative Financial Instruments

Contractual maturity and amount of derivative financial instruments held by the Group as at December 31, 2019 and 2018 are as follows. The amount includes both interest inflow and outflow and does not include the effect of offsetting agreements. Maturity analysis includes both interest inflow and outflow and does not include the effect of offsetting agreements.

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| **Derivatives held for hedging** | | | | | | |
| Inflow(Outflow) of net settlement of derivatives | (487) | (861) | (4,106) | (11,020) | 1,084 | (15,390) |
| Inflow of gross settlement of derivatives | 2,289 | 126,381 | 374,623 | 708,652 | - | 1,211,945 |
| Outflow of gross settlement of derivatives | (1,559) | (121,847) | (360,967) | (705,567) | - | (1,189,940) |
| | 243 | 3,673 | 9,550 | (7,935) | 1,084 | 6,615 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| **Derivatives held for hedging** | | | | | | |
| Inflow(Outflow) of net settlement of derivatives | (226) | (405) | (1,597) | (9,582) | (66) | (11,876) |
| Inflow of gross settlement of derivatives | 1,578 | 8,322 | 29,557 | 701,043 | - | 740,500 |
| Outflow of gross settlement of derivatives | (1,076) | (7,176) | (24,568) | (705,212) | - | (738,032) |
| | 276 | 741 | 3,392 | (13,751) | (66) | (9,408) |

## 4.5 Market Risk

### 4.5.1 Overview of Market Risk

***(a) Definition of market risk***

Market risk is the risk of possible losses which arise from the changes of market factors, such as interest, stock index, foreign exchange rate, commodity value and other market factors related to the fair value or future cash flows of the financial instruments, such as loans, receivables, deposits, securities and derivatives. Most significant risks associated with trading position are the interest risks related to debt securities or interest embedded securities. In addition, the Group is exposed to stock price risk, currency risk and interest risk associated with non-trading position. The Group manages exposure to market risk from non-trading position due to the insensitivity to market circumstances of trading positions.

***(b) Market risk management system***

The Risk Management Council established policies on risk management and prepared measures against interest rate risks. The Risk Management Council approves of the interest rate risk limits and other interest rate risk matters. The Risk Management Department measures and monitors interest rate risk on a monthly basis and reports to the Risk Management Council the interest rate VaR and other interest rate risk related matters.

### 4.5.2 Non-trading Position

***(a) Definition of non-trading position***

The most critical market risk that arises in non-trading portfolios is the interest rate risk. Interest rate risk occurs due to mismatches on maturities and interest rate reset period. The Group measures interest rate risk arising from assets and liabilities denominated in Korean won and foreign currency hedging derivatives. Most interest-bearing assets and interest-bearing liabilities are denominated in Korean won.

***(b) Observation method on market risk arising from non-trading position***

The main objective of interest rate risk management is to generate stable net interest revenues and to protect asset value against interest rate fluctuations. The Group manages the risk usually through measuring and managing the interest rate and etc.

***(c) Interest rate VaR***

Interest rate VaR is the maximum possible loss due to interest rate risk under a normal distribution at a 99.90% confidence level. The measurement results of risk as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | **Dec. 31, 2019** | **Dec. 31, 2018** |
|---|---|---|
| Interest rate VaR | 49,935 | 27,895 |

However, the methodology has shortcomings, since it is based on the volatility of interest rates during the previous periods at specified confidence level. Hence, the methodology has limitations to provide either overestimated or underestimated net asset changes.

### 4.6 Capital Adequacy

The Group operates the credit card business under the Specialized Credit Finance Business Act. Accordingly, the Group is required to comply with the Regulation on Supervision of Specialized Credit Finance Business. The regulations require higher than 8% of adjusted equity capital ratio.

Adjusted total assets and shareholders' equity adjusted for capital adequacy calculation adjustments are based on the statement of financial position, but taking into account the criteria proposed by the Bank for International Settlements, and to reflect the nature of the business is calculated as provided specialized credit finance Group established by the regulatory authorities. The Group complies with capital adequacy requirements as at December 31, 2019 and 2018.

## 5. Segment Information

The Group has a single reportable segment.

(a) Details of revenues recognized for each financial service groups provided by the Group as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | 2018 |
|---|---|---|
| Credit card | 2,982,933 | 2,966,478 |
| General loans and installment financing, etc. | 119,253 | 78,561 |
| | 3,102,186 | 3,045,039 |

(b) Revenues from external customers for the years ended December 31, 2019 and 2018, are derived from the Republic of Korea, the Group’s country of domicile.

(c) There is no external customer from whom revenues represent 10% or more of the Group’s revenues for the years ended December 31, 2019 and 2018.

## 6. Financial Assets and Financial Liabilities

### 6.1 Classification and Fair Value

#### 6.1.1 Carrying amount and fair values of financial assets and liabilities as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | |
|---|---|---|
| | **Carrying amount** | **Fair value** |
| **Financial assets** | | |
| Cash and due from financial institutions | 205,683 | 205,683 |
| Financial assets measured at fair value through profit or loss | | |
| Due from financial institutions | 30,014 | 30,014 |
| Short-term financial instruments (interest bearing) | 503,663 | 503,663 |
| Short-term financial instruments (non-interest bearing) | 30,000 | 30,000 |
| Equity securities | 1,900 | 1,900 |
| Debt securities | 7,631 | 7,631 |
| Derivative financial assets | 18,785 | 18,785 |
| Loans measured at amortized cost | 21,244,439 | 21,926,209 |
| Financial investments | | |
| Equity securities | 73,583 | 73,583 |
| Debt securities | 3,068 | 3,068 |
| Other financial assets | 354,945 | 354,945 |
| | 22,473,711 | 23,155,481 |
| **Financial liabilities** | | |
| Debts | 1,129,151 | 1,117,966 |
| Derivative financial liabilities | 30,982 | 30,982 |
| Debentures | 14,813,456 | 15,004,035 |
| Other financial liabilities | 2,400,939 | 2,400,939 |
| | 18,374,528 | 18,553,922 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | |
|---|---|---|
| | **Carrying amount** | **Fair value** |
| **Financial assets** | | |
| Cash and due from financial institutions | 204,935 | 204,935 |
| Financial assets measured at fair value through profit or loss | | |
| Due from financial institutions | 190,290 | 190,290 |
| Short-term financial instruments (interest bearing) | 390,565 | 390,565 |
| Short-term financial instruments (non-interest bearing) | 100,024 | 100,024 |
| Equity securities | 1,323 | 1,323 |
| Debt securities | 240 | 240 |

| | | |
|---|---|---|
| Derivative financial assets | 1,865 | 1,865 |
| Loans measured at amortized cost | 18,788,966 | 19,209,716 |
| Financial investments | | |
| Equity securities | 74,619 | 74,619 |
| Other financial assets | 378,523 | 378,523 |
| | 20,131,350 | 20,552,100 |
| **Financial liabilities** | | |
| Debts | 620,126 | 616,680 |
| Derivative financial liabilities | 24,713 | 24,713 |
| Debentures | 13,053,596 | 13,161,727 |
| Other financial liabilities | 2,337,049 | 2,337,059 |
| | 16,035,484 | 16,140,179 |

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. For each class of financial assets and financial liabilities, the Group discloses the fair value of that 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 the quoted price in an active market.

Methods of measuring fair value for financial instruments are as follows:

| | Measurement of fair value |
|---|---|
| **Cash and due from financial institutions** | In case of cash, the carrying amount is regarded as representative of fair value. Carrying amount of demand due from financial institutions and due-settled deposit are regarded as representative of fair value because they do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is determined using a Discounted Cash Flow ('DCF') model. However, if the remaining maturity is short at the reporting date or for variable rate financial instruments, the carrying amount is regarded as fair value. |
| **Securities** | If financial instruments such as a listed stock is traded in an active market, fair value is a quoted price in an active market. If there is no such market for an financial instruments, fair value is provided by external credit rating companies that calculate fair value by utilizing one or more valuation models from the following: DCF Model, Comparable Company Analysis, Free Cash Flow to Equity Model, Dividend Discount Model, Risk-adjusted Discount Rate Model, and Net Asset Value Model. |
| **Loans measured at amortized cost** | Discounted Cash Flow Model is used to determine the fair value of loans measured at amortized cost. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate. For loans of which the remaining maturity is short at the reporting date, the carrying amount with consideration of credit risk is regarded as fair value. |
| **Derivatives** | If an active market is available for the financial instrument, a quoted price in an active market is used as a basis of the fair value. The fair value of financial instruments that are not traded in an active market is determined by using valuation method by external credit rating |

| | |
|---|---|
| | companies. Fair value assessed by the external credit rating companies is performed by reasonable estimate of future cash flows and discounting them at the rate based on the credit risk of the counterparty. |
| **Debts** | Fair value is determined by using the valuation of independent third-party pricing services in accordance with market information. |
| **Debentures** | Fair value is determined by using the valuation of independent third-party pricing services in accordance with market information. |
| **Other financial assets and liabilities** | The carrying amount are reasonable approximation of fair value. These financial instruments are temporary accounts used for other various transaction and their maturities are relatively short or not defined. |

### 6.1.2. Fair value hierarchy

a) The fair value hierarchy of financial assets and liabilities measured at fair value in the consolidated statements of financial position as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | Fair value hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Due from financial institutions | - | 30,014 | - | 30,014 |
| Short-term financial instruments (interest bearing) | - | 503,663 | - | 503,663 |
| Short-term financial instruments (non-interest bearing) | - | 30,000 | - | 30,000 |
| Equity securities[1] | 1 | - | 1,899 | 1,900 |
| Debt securities | - | - | 7,631 | 7,631 |
| Derivative financial assets | - | 18,785 | - | 18,785 |
| Financial investments | | | | |
| Equity securities[2] | - | - | 73,583 | 73,583 |
| | 1 | 582,462 | 83,113 | 665,576 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 30,982 | - | 30,982 |
| | - | 30,982 | - | 30,982 |

[1] The amounts of Financial assets measured at fair value through profit or loss carried at cost in “Level 3” which do not have a quoted market price in an active market and cannot be measured reliably at fair value is ₩ 1,054 million as at December 31, 2019.

[2] The amounts financial assets measured at fair value through other comprehensive income carried at cost in “Level 3” which do not have a quoted market price in an active market and cannot be measured reliably at fair value is ₩ 10 million as at December 31, 2019.

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | |
|---|---|---|---|---|
| | Fair value hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Due from financial institutions | - | 190,290 | - | 190,290 |
| Short-term financial instruments (interest bearing) | - | 390,565 | - | 390,565 |
| Short-term financial instruments (non-interest bearing) | - | 100,024 | - | 100,024 |
| Equity securities | 1 | - | 1,322 | 1,323 |
| Debt securities | - | - | 240 | 240 |
| Derivative financial assets | - | 1,865 | - | 1,865 |
| Financial investments | | | | |
| Equity securities[1] | - | - | 74,619 | 74,619 |
| | 1 | 682,744 | 76,181 | 758,926 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 24,713 | - | 24,713 |
| | - | 24,713 | - | 24,713 |

[1] The amounts financial assets measured at fair value through other comprehensive income carried at cost in “Level 3” which do not have a quoted market price in an active market and cannot be measured reliably at fair value are ₩ 10 million as at December 31, 2018.

The valuation techniques and the inputs used in the fair value measurement classified as Level 2 and 3 as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | |
|---|---|---|---|
| | Fair value | Valuation technique | Inputs |
| **Financial assets** | | | |
| Financial assets measured at fair value through profit or loss | | | |
| Due from financial institutions | 30,014 | DCF Model | Estimated cash flow, discount rate |
| Short-term financial instruments(interest bearing) | 503,663 | DCF Model | Estimated cash flow, discount rate |
| Short-term financial instruments(non-interest bearing) | 30,000 | DCF Model | Estimated cash flow, discount rate |
| Derivative financial assets | 18,785 | DCF Model | Estimated cash flow, discount rate |
| **Financial liabilities** | | | |
| Derivative financial liabilities | 30,982 | DCF Model | Estimated cash flow, discount rate |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | |
|---|---|---|---|
| | Fair value | Valuation technique | Inputs |
| **Financial assets** | | | |
| Financial assets measured at fair value through profit or loss | | | |
| Due from financial institutions | 190,290 | DCF Model | Estimated cash flow, discount rate |

| | | | |
|---|---|---|---|
| Short-term financial instruments(interest bearing) | 390,565 | DCF Model | Estimated cash flow, discount rate |
| Short-term financial instruments(non-interest bearing) | 100,024 | DCF Model | Estimated cash flow, discount rate |
| Derivative financial assets | 1,865 | DCF Model | Estimated cash flow, discount rate |
| **Financial liabilities** | | | |
| Derivative financial liabilities | 24,713 | DCF Model | Estimated cash flow, discount rate |

The valuation techniques and the inputs used in the fair value measurement classified as Level 3 as at December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | **Dec. 31, 2019** | | |
|---|---|---|---|
| | **Fair value** | **Valuation technique** | **Inputs** |
| **Financial assets** | | | |
| Financial assets measured at fair value through profit or loss | | | |
| Equity securities | 846 | DCF Model | Estimated sales, discount rate, growth rate and etc. |
| Debt securities | 7,631 | Net Asset Value Model | Price of underlying asset and etc. |
| Financial investments | | | |
| Equity securities | 73,573 | DCF Model | Estimated sales, discount rate, growth rate and etc. |

| *(In millions of Korean won)* | **Dec. 31, 2018** | | |
|---|---|---|---|
| | **Fair value** | **Valuation technique** | **Inputs** |
| **Financial assets** | | | |
| Financial assets measured at fair value through profit or loss | | | |
| Debt securities | 240 | Net Asset Value Model | Price of underlying asset and etc. |
| Financial investments | | | |
| Equity securities | 74,609 | DCF Model | Estimated sales, discount rate, growth rate and etc. |

b) The fair value hierarchy of financial assets and liabilities which the fair value is disclosed as at December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | **Dec. 31, 2019** | | | |
|---|---|---|---|---|
| | **Fair value hierarchy** | | | |
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets** | | | | |
| Cash and due from financial institutions[1,2] | 24 | 138,562 | 67,097 | 205,683 |
| Loans measured at amortized cost[3] | - | - | 21,926,209 | 21,926,209 |

| | | | | |
|---|---|---|---|---|
| Financial investments | | | | |
| Debt securities[2] | - | - | 3,068 | 3,068 |
| Other financial assets[2] | - | - | 354,945 | 354,945 |
| | 24 | 138,562 | 22,351,319 | 22,489,905 |
| **Financial liabilities** | | | | |
| Debts[2] | - | 1,028,815 | 89,151 | 1,117,966 |
| Debentures | - | 13,546,577 | 1,457,458 | 15,004,035 |
| Other financial liabilities[4] | - | - | 2,400,939 | 2,400,939 |
| | - | 14,575,392 | 3,947,548 | 18,522,940 |

[1] The amounts included in Level 2 are the carrying amounts which are reasonable approximation of the fair values.
[2] The amounts included in Level 3 are the carrying amounts which are reasonable approximation of the fair values.
[3] ₩ 91,247 million of loans measured at amortized cost included in Level 3 are the carrying amounts which are reasonable approximation of fair values as at December 31, 2019.
[4] ₩2,400,939 million of other financial liabilities included in Level 3 are the carrying amounts which are reasonable approximation of fair values as at December 31, 2019.

| *(In millions of Korean won)* | **Dec. 31, 2018** | | | |
|---|---|---|---|---|
| | **Fair value hierarchy** | | | |
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets** | | | | |
| Cash and due from financial institutions[1,2] | 14 | 162,934 | 41,987 | 204,935 |
| Loans measured at amortized cost[3] | - | - | 19,209,716 | 19,209,716 |
| Other financial assets[2] | - | - | 378,523 | 378,523 |
| | 14 | 162,934 | 19,630,226 | 19,793,174 |
| **Financial liabilities** | | | | |
| Debts[2] | - | 596,554 | 20,126 | 616,680 |
| Debentures | - | 12,191,748 | 969,979 | 13,161,727 |
| Other financial liabilities[4] | - | - | 2,337,059 | 2,337,059 |
| | - | 12,788,302 | 3,327,164 | 16,115,466 |

[1] The amounts included in Level 2 are the carrying amounts which are reasonable approximation of the fair values.
[2] The amounts included in Level 3 are the carrying amounts which are reasonable approximation of the fair values.
[3] ₩60,816 million of loans measured at amortized cost included in Level 3 are the carrying amounts which are reasonable approximation of fair values as at December 31, 2018.
[4] ₩2,334,952 million of other financial liabilities included in Level 3 are the carrying amounts which are reasonable approximation of fair values as at December 31, 2018.

Meanwhile, the valuation techniques and the inputs, which are disclosed by the carrying amounts as reasonable approximation of fair value, are not subject to be disclosed.

The valuation techniques and the inputs used in the fair value measurement within Level 2 of assets and liabilities whose fair value is disclosed as at December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | Dec. 31, 2019 | | |
|---|---|---|---|
| | **Fair value** | **Valuation technique** | **Inputs** |
| **Financial liabilities** | | | |
| Debt | 1,028,815 | DCF Model | Estimated cash flow, discount rate |
| Debentures | 13,546,577 | DCF Model | Estimated cash flow, discount rate |

| *(In millions of Korean won)* | Dec. 31, 2018 | | |
|---|---|---|---|
| | **Fair value** | **Valuation technique** | **Inputs** |
| **Financial liabilities** | | | |
| Debt | 596,554 | DCF Model | Estimated cash flow, discount rate |
| Debentures | 12,191,748 | DCF Model | Estimated cash flow, discount rate |

The valuation techniques and the inputs used in the fair value measurement within Level 3 of assets and liabilities whose fair value is disclosed as at December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | Dec. 31, 2019 | | |
|---|---|---|---|
| | **Fair value** | **Valuation technique** | **Inputs** |
| **Financial assets** | | | |
| Loans measured at amortized cost | 21,834,962 | DCF Model | Credit spread, other spread, prepayment rate |
| **Financial liabilities** | | | |
| Debentures | 1,457,458 | DCF Model | Discount rate |

| *(In millions of Korean won)* | Dec. 31, 2018 | | |
|---|---|---|---|
| | **Fair value** | **Valuation technique** | **Inputs** |
| **Financial assets** | | | |
| Loans measured at amortized cost | 19,148,900 | DCF Model | Credit spread, other spread, prepayment rate |
| **Financial liabilities** | | | |
| Other financial liabilities | 2,107 | DCF Model | Discount rate |

## 6.2. Level 3 of the Fair Value Hierarchy Disclosure

### 6.2.1. Valuation policy and process of Level 3 fair value

The Group uses the value of external, independent and qualified valuers or the value of internal valuation models to determine the fair value of the Group's assets at the end of every financial year. Finance department reviews the assumptions used in valuation.

If a reclassification between the levels of the fair value hierarchy occurs for a financial asset or liability, the Group recognizes such transfer as though it has occurred at the beginning of the reporting period.

### 6.2.2 Changes in Level 3 of the fair value hierarchy used in the valuation techniques based on unobservable assumption in the market

(a) Changes in level 3 of the fair value hierarchy for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | |
|---|---|---|
| | | Financial investments |
| | Financial assets measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income |
| Beginning | 1,562 | 74,619 |
| Total income | | |
| Other comprehensive income | 1 | (1,036) |
| Profit or loss | (182) | - |
| Purchases | 8,149 | - |
| Sales | - | - |
| Ending | 9,530 | 73,583 |

*(In millions of Korean won)*

| | 2018 | |
|---|---|---|
| | | Financial investments |
| | Financial assets measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income |
| Beginning[1] | - | 72,128 |
| Total income | | |
| Other comprehensive income | - | 2,491 |
| Losses | (10) | - |
| Purchases | 1,572 | - |
| Sales | - | - |
| Ending | 1,562 | 74,619 |

[1]Restated in accordance with Korean IFRS 1109.

(b) In relation to changes in Level 3 of the fair value hierarchy and total gains or losses for financial instruments held at the end of the reporting period in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018.

*(In millions of Korean won)*

| | 2019 | 2018 |
|---|---|---|
| | Financial assets measured at fair value through profit or loss | Financial assets measured at fair value through profit or loss |
| Total gains or losses included in profit or loss for the year | (182) | (10) |
| Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period | (182) | (10) |

### 6.2.3 Sensitivity analysis of changes in unobservable inputs

(a) Information about fair value measurements using unobservable inputs

| *(In millions of Korean won)* | Dec. 31, 2019 | | | | |
|---|---|---|---|---|---|
| | **Fair value** | **Valuation technique** | **Unobservable inputs** | **Range of unobservable inputs(%)** | **Relationship of unobservable inputs to fair value** |
| Financial investments | | | | | |
| Equity securities | 73,573 | DCF Model, Comparable Company Analysis | Growth rate | - | The higher the growth rate, the higher the fair value |
| | | | Discount rate | 8.02 ~ 12.75 | The lower the discount rate, the higher the fair value |

| *(In millions of Korean won)* | Dec. 31, 2018 | | | | |
|---|---|---|---|---|---|
| | **Fair value** | **Valuation technique** | **Unobservable inputs** | **Range of unobservable inputs(%)** | **Relationship of unobservable inputs to fair value** |
| Financial investments | | | | | |
| Equity securities | 74,609 | DCF Model, Comparable Company Analysis | Growth rate | - | The higher the growth rate, the higher the fair value |
| | | | Discount rate | 8.64~13.82 | The lower the discount rate, the higher the fair value |

(b) Sensitivity analysis of changes in unobservable inputs

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable. The Group's financial instruments classified as level 3, subject to the sensitivity analysis, are equity securities whose fluctuation of fair values are recognized in profit or loss, or other comprehensive income.

Sensitivity analyses by type of instrument as a result of varying input parameters as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | |
|---|---|---|
| | Other comprehensive income | |
| | **Favorable changes** | **Unfavorable changes** |
| **Financial assets** | | |
| Financial assets measured at fair value through other comprehensive income - equity securities | 7,293 | (4,432) |

[1] For equity securities, the changes in fair-value are calculated by shifting principal unobservable input parameters such as correlation between growth rate (0~0.5%) and discount rate(-1~1%).

*(In millions of Korean won)*

| | Dec. 31, 2018 | |
|---|---|---|
| | **Favorable changes** | **Unfavorable changes** |
| **Financial assets** | | |
| Financial assets measured at fair value through other comprehensive income - equity securities | 9,540 | (5,509) |

[1] For equity securities, the changes in fair-value are calculated by shifting principal unobservable input parameters such as correlation between growth rate (0~0.5%) and discount rate(-1~1%).

### 6.3 Carrying Amounts of Financial Instruments by Category

The carrying amounts of financial assets and liabilities as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | |
|---|---|---|---|---|---|
| | **Financial instruments measured at fair value through profit or loss** | **Financial Instruments measured at fair value through other comprehensive income** | **Financial instruments measured at amortized cost** | **Derivative financial instruments held for hedging** | **Total** |
| **Financial Assets** | | | | | |
| Cash and due from financial institutions | - | - | 205,683 | - | 205,683 |
| Financial assets measured at fair value through profit or loss | 573,208 | - | - | - | 573,208 |
| Derivative financial assets | - | - | - | 18,785 | 18,785 |
| Loans measured at amortized cost | - | - | 21,244,439 | - | 21,244,439 |
| Financial investments | - | 73,583 | 3,068 | - | 76,651 |
| Other financial assets | - | - | 354,945 | - | 354,945 |
| | 573,208 | 73,583 | 21,808,135 | 18,785 | 22,473,711 |

*(In millions of Korean won)*

| | Dec. 31, 2019 | | |
|---|---|---|---|
| | **Financial instruments measured at amortized costs** | **Derivatives financial instruments held for hedging** | **Total** |
| **Financial Liabilities** | | | |
| Debts | 1,129,151 | - | 1,129,151 |
| Derivative financial liabilities | - | 30,982 | 30,982 |
| Debentures | 14,813,456 | - | 14,813,456 |
| Other financial liabilities | 2,400,939 | - | 2,400,939 |
| | 18,343,546 | 30,982 | 18,374,528 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | | |
|---|---|---|---|---|---|
| | **Financial instruments measured at fair value through profit or loss** | **Financial Instruments measured at fair value through other comprehensive income** | **Financial instruments measured at amortized cost** | **Derivative financial instruments held for hedging** | **Total** |
| **Financial Assets** | | | | | |
| Cash and due from financial institutions | - | - | 204,935 | - | 204,935 |
| Financial assets measured at fair value through profit or loss | 682,442 | - | - | - | 682,442 |
| Derivative financial assets | - | - | - | 1,865 | 1,865 |

| | | | | | |
|---|---|---|---|---|---|
| Loans measured at amortized cost | - | - | 18,788,966 | - | 18,788,966 |
| Financial investments | - | 74,619 | - | - | 74,619 |
| Other financial assets | - | - | 378,523 | - | 378,523 |
| | 682,442 | 74,619 | 19,372,424 | 1,865 | 20,131,350 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | |
|---|---|---|---|
| | ancial instruments measure at amortized costs | Derivatives financial instruments held for hedging | Total |
| **Financial Liabilities** | | | |
| Debts | 620,126 | - | 620,126 |
| Derivative financial liabilities | - | 24,713 | 24,713 |
| Debentures | 13,053,596 | - | 13,053,596 |
| Other financial liabilities | 2,337,049 | - | 2,337,049 |
| | 16,010,771 | 24,713 | 16,035,484 |

### 6.4 Net Gains (Losses) of Financial Instruments by Class

Net gains (losses) per classes of financial instruments for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Interest income | Interest expense | Fee and commission income | Fee and commission expense | Impairment loss | Other operating income, net | Net income | Other compre-hensive income |
| Financial assets measured at fair value through profit or loss | 10,812 | - | - | - | - | 371 | 11,183 | - |
| Financial instruments measured at fair value through other comprehensive income | - | - | - | - | - | 3,117 | 3,117 | (751) |
| Financial instruments measured at amortized cost [1] | 1,570,735 | - | 998,511 | (921,321) | (439,765) | (273,798) | 934,362 | - |
| Derivatives financial instruments held for hedging | - | - | - | - | - | 1,688 | 1,688 | 1,515 |
| | 1,581,547 | - | 998,511 | (921,321) | (439,765) | (268,622) | 950,350 | 764 |
| Financial liabilities measured at amortized cost[1] | - | (350,814) | - | - | - | (18,500) | (369,314) | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Derivatives financial instruments held for hedging | - | - | - | - | - | 17,207 | 17,207 | (7,325) |
| | - | (350,814) | - | - | - | (1,293) | (352,107) | (7,325) |
| | 1,581,547 | (350,814) | 998,511 | (921,321) | (439,765) | (269,915) | 598,243 | (6,561) |

[1] Of other operating income (loss), gain (loss) from translation of loans in foreign currency and debentures in foreign currency are offset against loss (gain) on valuation of hedging instruments.

*(In millions of Korean won)*

| | 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Interest income** | **Interest expense** | **Fee and commission income** | **Fee and commission expense** | **Impairment loss** | **Other operating income, net** | **Net income** | **Other compre-hensive income** |
| Financial assets measured at fair value through profit or loss | 8,470 | - | - | - | - | 3,866 | 12,336 | - |
| Financial instruments measured at fair value through other comprehensive income | - | - | - | - | - | 5,913 | 5,913 | 1,806 |
| Financial instruments measured at amortized cost [1] | 1,465,701 | - | 1,012,181 | (996,324) | (429,068) | (228,887) | 823,603 | - |
| Derivatives financial instruments held for hedging | - | - | - | - | - | (1,293) | (1,293) | (2,563) |
| | 1,474,171 | - | 1,012,181 | (996,324) | (429,068) | (220,401) | 840,559 | (757) |
| Financial liabilities measured at amortized cost[1] | - | (306,022) | - | - | - | (23,545) | (329,567) | - |
| Derivatives financial instruments held for hedging | - | - | - | - | - | 25,443 | 25,443 | (15,353) |
| | - | (306,022) | - | - | - | 1,898 | (304,124) | (15,353) |
| | 1,474,171 | (306,022) | 1,012,181 | (996,324) | (429,068) | (218,503) | 536,435 | (16,110) |

[1] Of other operating income (loss), gain (loss) from translation of loans in foreign currency and debentures in foreign currency are offset against loss (gain) on valuation of hedging instruments.

### 6.5 Transfer of Financial Assets

#### 6.5.1 Transferred financial assets that are derecognized in their entirety

The recovered portion in excess of the consideration paid to the Group by National Happiness Fund is attributed to the Group due to the agreement with National Happiness Fund.

#### 6.5.2 Transferred financial assets that are not derecognized in their entirety

The Group securitized the loans and issued the asset-backed debentures. The Senior debentures and related securitized assets as of 2019 are as follows:

*(In millions of Korean won)*

| | 2019 | | | |
|---|---|---|---|---|
| | Carrying amount of underlying assets | Fair value of underlying assets | Carrying amount of underlying debts | Fair value of underlying debts |
| KB Kookmin Card 3rd Securitization Co., Ltd.[1] | 601,659 | 592,358 | 351,207 | 342,204 |
| KB Kookmin Card 4th Securitization Co., Ltd.[1] | 560,903 | 552,216 | 347,387 | 340,820 |
| KB Kookmin Card 5th Securitization Co., Ltd.[1] | 542,861 | 534,630 | 299,795 | 304,835 |
| KB Kookmin Card 6th Securitization Co., Ltd.[1] | 795,884 | 784,080 | 461,909 | 469,600 |
| | 2,501,307 | 2,463,284 | 1,460,298 | 1,457,459 |

[1] The Group has an obligation to early redeem the asset-backed debentures upon occurrence of an event specified in the agreement such as when the outstanding balance of the eligible asset-backed securitization (ABS), a trust-type ABS, is below the solvency margin ratio(minimum rate: 104.5%) of the beneficiary interest in the trust. In addition, the Group can entrust additional eligible card transaction accounts and deposits. To avoid such early redemption, the Group entrusts accounts and deposits in addition to the previously entrusted card accounts.

### 6.6 Offsetting Financial Assets and Financial Liabilities

The Group entered into International Swaps and Derivatives Association (“ISDA”) master netting agreements and other similar netting arrangements with the Group’s over the-counter derivative and spot exchange counterparties. According to the arrangement, contracts are terminated if an event of credit-related problems such as default by one party occurs, and receivables and payables of each party are to be offset as at the termination date, where one party pays the other party the offset amount to be payable.

The details of the Group's recognized financial assets subject to enforceable master netting arrangements or similar agreements by type as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Gross amounts of recognized financial assets | Gross amounts of recognized financial liabilities offset in the statement of financial position | Net amounts of financial assets presented in the statement of financial position | Non-offsetting amount | | Net amount |
| | | | | Financial instruments | Cash collateral received | |
| Derivative financial assets[1] | 18,785 | - | 18,785 | (2,863) | - | 15,922 |
| Receivable spot exchange[2] | 34,803 | - | 34,803 | (34,803) | - | - |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Gross amounts of recognized financial assets | Gross amounts of recognized financial liabilities offset in the statement of financial position | Net amounts of financial assets presented in the statement of financial position | Non-offsetting amount | | Net amount |
| | | | | Financial instruments | Cash collateral received | |
| Derivative financial assets[1] | 1,865 | - | 1,865 | (869) | - | 996 |

[1] Pursuant to International Swaps and Derivatives Association ("ISDA") Master Agreements and other additional arrangements based on the agreement if an event of credit-related problems such as default by one party occurs, contracts are terminated and receivables and payables of each party are to be offset with the right to receive or pay.

[2] Pursuant to the master agreement of OTC, the Group has the right to pay or receive payment after off-setting the payable to and receivable, from the counterparty when contracts are terminated before the maturity or on a certain date.

The details of the Group's recognized financial liabilities subject to enforceable master netting arrangement or similar agreement by type as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Gross amounts of recognized financial liabilities | Gross amounts of recognized financial assets offset in the statement of financial position | Net amounts of financial liabilities presented in the statement of financial position | Non-offsetting amount | | Net Amount |
| | | | | Financial Instruments | Cash collateral received | |
| Derivative financial liabilities[1] | 30,982 | - | 30,982 | (2,863) | - | 28,119 |
| Payable spot exchange[2] | 34,803 | - | 34,803 | (34,803) | - | - |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Gross Amounts of recognized financial liabilities | Gross amounts of recognized financial assets offset in the statement of financial position | Net amounts of financial liabilities presented in the statement of financial position | Non-offsetting amount | | Net Amount |
| | | | | Financial Instruments | Cash collateral received | |
| Derivative financial liabilities[1] | 24,713 | - | 24,713 | (869) | - | 23,844 |

[1] Pursuant to International Swaps and Derivatives Association ("ISDA") Master Agreements and other additional arrangements based on the agreement if an event of credit-related problems such as default by one party occurs, contracts are terminated and receivables and payables of each party are to be offset with the right to receive or pay.

[2] Pursuant to the master agreement of OTC, the Group has the right to pay or receive payment after off-setting the payable to and receivable, from the counterparty when contracts are terminated before the maturity or on a certain date.

## 7. Due from Financial Institutions

The details of due from financial institutions as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Financial institution | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| **Due from financial institutions in Korean won** | | | |
| Demand deposits | Kookmin Bank and others | 118,636 | 160,061 |
| Time deposits | Kookmin Bank and others | 36,700 | 33,100 |
| Other deposits | Samsung Securities and others | 3,761 | 1,554 |
| | | 159,097 | 194,715 |
| **Due from financial institutions in foreign currencies** | | | |
| Demand deposits | Banks in Cambodia and others | 16,169 | 1,322 |
| Time deposits | Banks in Cambodia | - | 7,827 |
| Other deposits | Banks in Cambodia | 30,397 | 1,059 |
| | | 46,566 | 10,208 |
| Allowances for losses on due | | (4) | (2) |
| | | 205,659 | 204,921 |

The details of due from financial institutions classified by the type of financial institution as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| Financial institutions | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Bank | 201,905 | 203,372 |
| Others | 3,758 | 1,551 |
| | 205,663 | 204,923 |

Restricted due from financial institutions as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | Deposits | Financial institution | Collateralized amount | Reasons for restriction |
| Due from financial institutions in Korean won | Demand deposits | Kookmin Bank and others | 33,260 | Deposits related to SPE, Restriction on use virtual account |
| | Time deposits | Kookmin Bank and others | 36,700 | Deposits pledged as collateral and related to SPE |
| | Other deposits | Kookmin Bank | 3 | Deposits for checking accounts |
| | | | 69,963 | |
| Due from financial institutions in | Demand deposits | Banks in Myanmar | 58 | Deposits for foreign office |

| | | | | |
|---|---|---|---|---|
| foreign currencies | Other deposits | Banks in Cambodia | 1,085 | Bank Act of Cambodia and etc |
| | | | 1,143 | |
| | | | 71,106 | |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | |
|---|---|---|---|---|
| | **Deposits** | **Financial institution** | **Collateralized amount** | **Reasons for restriction** |
| Due from financial institutions in Korean won | Demand deposits | Kookmin Bank and others | 44,748 | Deposits related to SPE, Restriction on use virtual account |
| | Time deposits | Kookmin Bank and others | 33,100 | Deposits pledged as collateral and related to SPE |
| | Other deposits | Kookmin Bank | 3 | Deposits for checking accounts |
| | | | 77,851 | |
| Due from financial institutions in foreign currencies | Other deposits | Banks in Cambodia | 11 | Bank Act of Cambodia and etc |
| | | | 11 | |
| | | | 77,862 | |

Changes in the allowances for due from financial institutions losses instruments for the years ended December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | 2019 | | | |
|---|---|---|---|---|
| | **The financial instruments applying 12-month expected credit losses** | **The financial instruments applying lifetime expected credit losses** | | **Total** |
| | | **Non-impaired** | **Impaired** | |
| Beginning | 2 | - | - | 2 |
| Reversal | 2 | - | - | 2 |
| Ending | 4 | - | - | 4 |

| *(In millions of Korean won)* | 2018 | | | |
|---|---|---|---|---|
| | **The financial instruments applying 12-month expected credit losses** | **The financial instruments applying lifetime expected credit losses** | | **Total** |
| | | **Non-impaired** | **Impaired** | |
| Beginning[1] | 3 | - | - | 3 |
| Reversal | (1) | - | - | (1) |
| Ending | 2 | - | - | 2 |

[1] Restated in accordance with Korean IFRS 1109.

## 8. Derivative Financial Instruments and Hedge Accounting

The Group uses interest rate swaps to hedge the risk of changes in the cash flow value s related to the changes of interest rate of debentures in Korean won.

Fair value of derivatives designated as hedging instruments as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | |
|---|---|---|---|
| | **Notional amount** | **Assets** | **Liabilities** |
| **Interest rate** | | | |
| Swaps | 1,280,000 | 2,863 | 22,220 |
| **Currency** | | | |
| Swaps | 1,177,363 | 15,922 | 8,762 |
| | 2,457,363 | 18,785 | 30,982 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | |
|---|---|---|---|
| | **Notional amount** | **Assets** | **Liabilities** |
| **Interest rate** | | | |
| Swaps | 1,010,000 | 954 | 12,233 |
| **Currency** | | | |
| Swaps | 705,402 | 911 | 12,480 |
| | 1,715,402 | 1,865 | 24,713 |

Gains and losses from cash flow hedging instruments and hedged items attributable to the hedge risk for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | **2019** | **2018** |
|---|---|---|
| Total gains(losses) on hedging instruments | 10,651 | 4,957 |
| Gains(Losses) on the hedged item attributable to the hedged risk | 9,760 | 2,990 |
| Ineffectiveness recognized in losses that arises cash flow hedges | 891 | 1,967 |

For cash flow hedges, the amount that was recognized in other comprehensive income and the amount that was reclassified from equity to profit or loss for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | **2019** | **2018** |
|---|---|---|
| Recognized in other comprehensive income | 9,760 | 2,990 |
| Reclassified from equity to profit or loss | (17,574) | (24,707) |
| Tax effect | 2,004 | 3,801 |
| | (5,810) | (17,916) |

The average price by hedging types as at December 31, 2019 and 2018, are as follows:

| | **Dec. 31, 2019** | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 year | 2 years | 3 years | 4 years | 5 years | over 5 years | Total |
| Cash flow hedge | | | | | | | |
| Notional amounts of hedging instrument | 582,085 | 357,158 | 823,120 | 425,000 | 120,000 | 150,000 | 2,457,363 |
| Average price of the hedge instrument-rate(%) | 1.78 | 2.13 | 1.71 | 2.80 | 2.02 | 1.67 | - |
| Average price of the hedge instrument-exchange rate(KRW/USD) | 1,137.16 | 1,130.00 | 1,179.00 | - | - | - | - |
| Average price of the hedge instrument-exchange rate(KRW/SGD) | 820.25 | 831.49 | - | - | - | - | - |

The hedging instruments are expected to be exposed for cash flow hedge until December 2026 as at December 31, 2019

## 9. Loans Measured at Amortized Cost

Loans measured at amortized cost as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | | Dec. 31, 2019 | | | | |
|---|---|---|---|---|---|---|
| | | **Gross loans** | **Present value discount**[1] | **Deferred loan origination fees and costs** | **Allowances for loan losses** | **Carrying amount** |
| Credit card assets | Credit sales | 12,038,239 | (20,971) | - | (248,181) | 11,769,087 |
| | Short-term card loan (Cash advance) | 1,208,206 | - | - | (99,632) | 1,108,574 |
| | Long-term card loan (Card loans) | 5,345,430 | - | - | (389,838) | 4,955,592 |
| | Others | 117,183 | - | - | (2,067) | 115,116 |
| Factored receivables[2] | | 120 | - | - | (41) | 79 |
| General loans | | 302,013 | 169 | (114) | (22,310) | 279,758 |
| Installment loans | | 2,816,173 | 9,571 | 31,769 | (25,167) | 2,832,346 |
| Privately placed bonds | | 14,472 | - | - | (948) | 13,524 |
| Lease receivables | | 170,706 | - | 10 | (353) | 170,363 |
| | | 22,012,542 | (11,231) | 31,665 | (788,537) | 21,244,439 |

*(In millions of Korean won)*

| | | Dec. 31, 2018 | | | | |
|---|---|---|---|---|---|---|
| | | **Gross loans** | **Present value discount**[1] | **Deferred loan origination fees and costs** | **Allowances for loan losses** | **Carrying amount** |
| Credit card assets | Credit Sales | 11,109,971 | (21,803) | - | (242,328) | 10,845,840 |
| | Short-term card loan (Cash advance) | 1,257,081 | - | - | (104,801) | 1,152,280 |
| | Long-term card loan (Card loans) | 4,942,241 | - | - | (361,898) | 4,580,343 |
| | Others | 100,514 | - | - | (1,921) | 98,593 |
| Factored receivables[2] | | 450 | - | - | (47) | 403 |
| General loans | | 230,824 | 338 | 14 | (18,106) | 213,070 |
| Installment loans | | 1,826,047 | 6,335 | 24,221 | (15,993) | 1,840,610 |
| Privately placed bonds | | 32,611 | - | - | (2,037) | 30,574 |
| Lease receivables | | 27,277 | - | 6 | (30) | 27,253 |
| | | 19,527,016 | (15,130) | 24,241 | (747,161) | 18,788,966 |

[1] Interest bearing installment product is provided to gain interest income through financing services, whereas interest-free installment product is provided for marketing purposes (aim to increase credit card use, others). This results in differences on the customer's credit rating and the distribution of the

installment terms. Hence, the Group did not classify these products as similar financial instruments. The fair value of the interest free installment product is calculated as the present value of estimated future cash receipts discounted using the interest rate considering interest-rate-to-finance and credit risk.

[2] Factored receivables are purchased from sellers according to the purchase installment contract. The details are as follows:

- Customers purchase mobile phones from SK telecom retail shops on an installment plan.
- The Group purchases the mobile phone installment receivables from SK telecom retail shops and makes a lump-sum payment.
- The Group entrusts billing and receipt of cash for the installment receivables of each mobile phone to SK telecom Co., Ltd. and the customers pay mobile phone bills and installment payments to SK Telecom Co., Ltd.
- SK telecom Co., Ltd. rents the collected amounts to the Group.

Meanwhile, the Group records commission income and expenses on the purchase of the factored receivables as deferred loan origination cost/fee, and recognizes those as interest income or expense using effective interest rate method.

The details of loans measured at amortized cost by customer types as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | |
|---|---|---|---|
| | **Retail** | **Corporate** | **Total** |
| Credit card assets | | | |
| Card sales | 10,987,753 | 1,029,515 | 12,017,268 |
| Short-term card loan (Cash advances) | 1,208,190 | 16 | 1,208,206 |
| Long-term card loan (Card loans) | 5,345,430 | - | 5,345,430 |
| Others | 1,374 | 115,809 | 117,183 |
| Factored receivables | 117 | 3 | 120 |
| General loans | 297,859 | 4,209 | 302,068 |
| Installment loans | 2,818,813 | 38,700 | 2,857,513 |
| Privately placed bonds | - | 14,472 | 14,472 |
| Lease receivables | - | 170,716 | 170,716 |
| | 20,659,536 | 1,373,440 | 22,032,976 |
| Allowances for loan losses | (751,018) | (37,519) | (788,537) |
| Carrying amount | 19,908,518 | 1,335,921 | 21,244,439 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | |
|---|---|---|---|
| | **Retail** | **Corporate** | **Total** |
| Credit card assets | | | |
| Credit sales | 10,164,481 | 923,687 | 11,088,168 |
| Short-term card loan (Cash advances) | 1,257,064 | 17 | 1,257,081 |
| Long-term card loan (Card loans) | 4,942,241 | - | 4,942,241 |
| Others | 30,581 | 69,933 | 100,514 |
| Factored receivables | 446 | 4 | 450 |
| General loans | 226,461 | 4,715 | 231,176 |
| Installment loans | 1,831,495 | 25,108 | 1,856,603 |
| Privately placed bonds | - | 32,611 | 32,611 |
| Lease receivables | - | 27,283 | 27,283 |
| | 18,452,769 | 1,083,358 | 19,536,127 |
| Allowances for loan losses | (712,099) | (35,062) | (747,161) |
| Carrying amount | 17,740,670 | 1,048,296 | 18,788,966 |

The changes in deferred loan origination fees and costs for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | |
|---|---|---|---|---|
| | **Beginning** | **Increase** | **Decrease** | **Ending** |
| **Deferred loan origination fees and costs** | | | | |
| Factored receivables | - | - | - | - |
| General loans | 14 | 258 | (386) | (144) |
| Installment assets | 24,221 | 28,702 | (21,154) | 31,769 |
| Lease receivables | 6 | 6 | (2) | 10 |
| | 24,241 | 28,966 | (21,542) | 31,665 |

*(In millions of Korean won)*

| | 2018 | | | |
|---|---|---|---|---|
| | **Beginning** | **Increase** | **Decrease** | **Ending** |
| **Deferred loan origination fees and costs** | | | | |
| Factored receivables | 40 | - | (40) | - |
| General loans | 25 | - | (11) | 14 |
| Installment assets | 17,273 | 21,876 | (14,928) | 24,221 |
| Lease receivables | - | 6 | - | 6 |
| | 17,338 | 21,882 | (14,979) | 24,241 |

The changes in allowances for credit losses for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Credit card assets | | | Factored receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning[1] | 180,476 | 290,024 | 240,448 | - | 1 | 46 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 51,542 | (50,627) | (915) | - | - | - |
| Transfer to lifetime expected credit losses | (23,537) | 24,529 | (992) | - | - | - |
| Impairment | (2,388) | (14,378) | 16,766 | - | - | - |
| Write-offs | - | - | (506,255) | - | - | - |
| Provision (reversal) for credit losses[2] | 3,567 | 16,633 | 524,651 | - | (1) | (6) |
| Others (change of currency ratio, etc.) | - | - | (9,826) | - | - | 1 |
| Ending | 209,660 | 266,181 | 263,877 | - | - | 41 |

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | General loans | | | Installment loans | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning[1] | 9,994 | 4,949 | 3,163 | 4,192 | 8,094 | 3,707 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 325 | (325) | - | 2,100 | (1,871) | (229) |
| Transfer to lifetime expected credit losses | (961) | 1,015 | (54) | (567) | 1,010 | (443) |
| Impairment | (142) | (340) | 482 | (35) | (774) | 809 |
| Write-offs | - | - | (8,197) | - | - | (4,163) |
| Provision (reversal) for credit losses[2] | 2,909 | 692 | 8,860 | 1,242 | 1,915 | 10,152 |
| Others (change of currency ratio, etc.) | - | - | (60) | - | - | 28 |
| Ending | 12,125 | 5,991 | 4,194 | 6,932 | 8,374 | 9,861 |

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Privately placed bonds | | | Lease receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning[1] | 2,037 | - | - | 30 | - | - |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - |
| Write-offs | - | - | - | - | - | - |
| Provision (reversal) for credit losses[2] | (1,121) | - | - | 188 | 135 | - |
| Others (change of currency ratio, etc.) | 32 | - | - | - | - | - |
| Ending | 948 | - | - | 218 | 135 | - |

[1] Recovery of written-off loans amounting to ₩137,789 million is included. Besides ₩ 432,027 million (recovery of written-off loans excluded) of the above allowances for credit losses, total provision for credit losses consists of ₩ 5,702 million of provision for unused loan commitments and guarantees (Note 18), ₩ 2 million of provision for due from financial institutions (Note 7) and ₩ 2,034 million of provision for other assets (Note 15).

*(In millions of Korean won)*

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Credit card assets | | | Factored receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning[1] | 154,269 | 260,162 | 213,181 | 113 | 11 | 199 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 45,824 | (44,706) | (1,118) | 1 | - | (1) |
| Transfer to lifetime expected credit losses | (23,346) | 24,438 | (1,092) | (1) | 1 | - |
| Impairment | (2,006) | (11,805) | 13,811 | (1) | (1) | 2 |
| Write-offs | - | - | (465,415) | - | - | (181) |
| Provision (reversal) for credit losses[2] | 5,735 | 61,935 | 488,974 | (112) | (10) | 29 |
| Business combinations | - | - | - | - | - | - |
| Others (change of currency ratio, etc.) | - | - | (7,893) | - | - | (2) |
| Ending | 180,476 | 290,024 | 240,448 | - | 1 | 46 |

*(In millions of Korean won)*

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | General loans | | | Installment loans | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning[1] | 9,549 | 4,408 | 2,348 | 25,928 | 3,257 | 830 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 322 | (290) | (32) | 1,138 | (1,049) | (89) |
| Transfer to lifetime expected credit losses | (1,013) | 1,035 | (22) | (2,085) | 2,154 | (69) |
| Impairment | (146) | (345) | 491 | (80) | (181) | 261 |
| Write-offs | - | - | (6,950) | - | - | (1,755) |
| Provision (reversal) for credit losses[2] | 1,095 | 141 | 7,354 | (20,716) | 3,913 | 4,529 |
| Business combinations | 187 | - | - | 7 | - | - |
| Others (change of currency ratio, etc.) | - | - | (26) | - | - | - |
| Ending | 9,994 | 4,949 | 3,163 | 4,192 | 8,094 | 3,707 |

*(In millions of Korean won)*

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Privately placed bonds | | | Lease receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning[1] | 2,491 | - | - | - | - | - |
| Transfer between stages | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Transfer to 12-month expected credit losses | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - |
| Write-offs | - | - | - | - | - | - |
| Provision (reversal) for credit losses[2] | (540) | - | - | 30 | - | - |
| Business combinations | - | - | - | - | - | - |
| Others (change of currency ratio, etc.) | 86 | - | - | - | - | - |
| Ending | 2,037 | - | - | 30 | - | - |

[1] Restated based on Korean IFRS 1109.
[2] Recovery of written-off loans amounting to ₩135,271 million is included. Besides ₩ 417,086 million (recovery of written-off loans excluded) of the above allowances for credit losses, total provision for credit losses consists of ₩ 12,728 million of provision for unused loan commitments and guarantees (Note 18), and ₩ 1 million of reversal for due from financial institutions (Note 7) and ₩ 745 million of reversal for losses on other assets (Note 15).

The Group manages written-off loans whose claims against the debtors remain because the statute of limitations has not closed or the loans have not collected since the written-off. The written-off loans as at December 31, 2019 and 2018 amount to ₩ 1,747,871 million and ₩ 2,023,059 million(Note 31).

The changes of loans measured at amortized cost that has affected significant changes in allowances for loan losses for the years ended December 31, 2019 and 2018 are as follows:

| *(In millions of Korean won)* | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Credit card assets | | | Factored receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | 14,361,745 | 2,606,815 | 419,444 | 193 | 20 | 237 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 598,589 | (597,392) | (1,197) | - | - | - |
| Transfer to lifetime expected credit losses | (930,171) | 931,499 | (1,328) | - | - | - |
| Impairment | (78,928) | (75,404) | 154,332 | - | - | - |
| Write-offs | - | - | (506,255) | - | - | - |
| Net increase | 1,759,441 | (362,434) | 409,331 | (193) | (20) | (117) |
| Ending | 15,710,676 | 2,503,084 | 474,327 | - | - | 120 |

| *(In millions of Korean won)* | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | General loans | | | Installment loans | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | 194,709 | 31,665 | 4,802 | 1,729,565 | 122,157 | 4,881 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 3,718 | (3,718) | - | 41,634 | (41,334) | (300) |
| Transfer to lifetime expected credit losses | (16,322) | 16,393 | (71) | (100,298) | 100,882 | (584) |
| Impairment | (2,332) | (1,287) | 3,619 | (4,998) | (5,529) | 10,527 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Write-offs | - | - | (8,197) | - | - | (4,163) |
| Net increase | 76,833 | (4,249) | 6,505 | 978,539 | 24,050 | 2,484 |
| Ending | 256,606 | 38,804 | 6,658 | 2,644,442 | 200,226 | 12,845 |

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Privately placed bonds | | | Lease receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | 32,611 | - | - | 27,283 | - | - |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - |
| Write-offs | - | - | - | - | - | - |
| Net increase | (18,139) | - | - | 138,938 | 4,495 | - |
| Ending | 14,472 | - | - | 166,221 | 4,495 | - |

*(In millions of Korean won)*

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Credit cards | | | Factored receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | 12,419,437 | 2,469,907 | 348,696 | 49,456 | 298 | 1,975 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 537,087 | (535,588) | (1,499) | 19 | (10) | (9) |
| Transfer to lifetime expected credit losses | (962,817) | 964,285 | (1,468) | (170) | 175 | (5) |
| Impairment | (67,272) | (69,198) | 136,470 | (192) | (11) | 203 |
| Write-offs | - | - | (465,415) | - | - | (181) |
| Business combinations | - | - | - | - | - | - |
| Net increase | 2,435,310 | (222,591) | 402,660 | (48,920) | (432) | (1,746) |
| Ending | 14,361,745 | 2,606,815 | 419,444 | 193 | 20 | 237 |

*(In millions of Korean won)*

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | General loans | | | Installment loans | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | 138,087 | 28,341 | 3,308 | 973,771 | 54,367 | 1,105 |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | 3,367 | (3,324) | (43) | 19,596 | (19,478) | (118) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Transfer to lifetime expected credit losses | (14,574) | 14,604 | (30) | (66,054) | 66,146 | (92) |
| Impairment | (2,031) | (1,599) | 3,630 | (2,519) | (2,502) | 5,021 |
| Write-offs | - | - | (6,950) | - | - | (1,755) |
| Business combinations | 7,865 | - | - | 730 | - | - |
| Net increase | 61,995 | (6,357) | 4,887 | 804,041 | 23,624 | 720 |
| Ending | 194,709 | 31,665 | 4,802 | 1,729,565 | 122,157 | 4,881 |

*(In millions of Korean won)*

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Privately placed bonds | | | Lease receivables | | |
| | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | | The financial instruments applying 12-month expected credit losses | The financial instruments applying lifetime expected credit losses | |
| | | Non-impaired | Impaired | | Non-impaired | Impaired |
| Beginning | 49,106 | - | - | - | - | - |
| Transfer between stages | | | | | | |
| Transfer to 12-month expected credit losses | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - |
| Write-offs | - | - | - | - | - | - |
| Net increase | (16,495) | - | - | 27,283 | - | - |
| Ending | 32,611 | - | - | 27,283 | - | - |

The ratios of allowances for loan measured at amortized cost losses as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Gross loans measured at amortized cost | 22,032,976 | 19,536,127 |
| Allowances for loan losses | 788,537 | 747,161 |
| Ratio(%) | 3.58 | 3.82 |

## 10. Financial Assets Measured at fair value through Profit and Loss and Financial Investments

The details of financial assets measured at fair value through profit or loss and financial investments as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 |
|---|---|
| Financial assets measured at fair value through profit or loss | |
| Due from financial institutions | 30,014 |
| Short-term financial instruments(interest bearing) | 503,663 |
| Short-term financial instruments(non-interest bearing) | 30,000 |
| Equity securities | 1,900 |
| Debt securities | 7,631 |
| | 573,208 |
| Financial investments | |

| | Dec. 31, 2019 |
|---|---|
| Financial assets measured at fair value through profit or loss | |
| Financial instruments measured at fair value through other comprehensive income | |
| Equity securities | 73,583 |
| Securities measured at amortized cost | |
| Debt securities | 3,068 |
| | 76,651 |
| Total | 649,859 |

*(In millions of Korean won)*

| | Dec. 31, 2018 |
|---|---|
| Financial assets measured at fair value through profit or loss | |
| Due from financial institutions | 190,290 |
| Short-term financial instruments(interest bearing) | 390,565 |
| Short-term financial instruments(non-interest bearing) | 100,024 |
| Equity securities | 1,323 |
| Debt securities | 240 |
| | 682,442 |
| Financial investments | |
| Financial instruments measured at fair value through other comprehensive income | |
| Equity securities | 74,619 |
| Securities measured at amortized cost | |
| Debt securities | - |
| | 74,619 |
| Total | 757,061 |

The details of dividends from equity securities designated to be measured at fair value through other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | |
|---|---|---|
| | Equity instruments derecognized during the period | Equity instruments held at the end of the period |
| Financial instruments measured at fair value through other comprehensive income | | |
| Equity securities | - | 3,117 |

*(In millions of Korean won)*

| | 2018 | |
|---|---|---|
| | Equity instruments derecognized during the period | Equity instruments held at the end of the period |
| Financial instruments measured at fair value through other comprehensive income | | |
| Equity securities | - | 5,913 |

There is no derecognized equity securities of financial instruments measured at fair value through other comprehensive income for the years ended December 31, 2019 and 2018.

## 11. Investments in Associates

The details of investments in associates as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| **Associates** | **Ownership(%)** | **Acquisition cost** | **Share of net asset amount** | **Carrying amount** | **Industry** | **Location** |
| KB KOLAO LEASING Co., Ltd. | 29.00 | 3,393 | 4,498 | 4,498 | Installment financing of automobile, etc. | Laos |
| Big Dipper Inc. | 29.30 | 440 | 10 | 125 | Collect, process, analysis and intermediate of big data, etc. | Korea |
| | | 3,833 | 4,508 | 4,623 | | |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| **Associates** | **Ownership(%)** | **Acquisition cost** | **Share of net asset amount** | **Carrying amount** | **Industry** | **Location** |
| KB KOLAO LEASING Co., Ltd. | 29.00 | 3,393 | 3,325 | 3,325 | Installment financing of automobile, etc. | Laos |
| Big Dipper Inc. | 29.30 | 440 | 166 | 281 | Collect, process, analysis and intermediate of big data, etc. | Korea |
| | | 3,833 | 3,491 | 3,606 | | |

The condensed financial information of the associate, changes in the carrying amount of investments in associates and dividends received from the associate are as follows:

| *(in millions of Korean won)* | Dec. 31, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Total Assets** | **Total liabilities** | **Share Capital** | **Total Equity** | **Share of net asset amount** | **Unrealized gains or losses, etc** | **Carrying amount** |
| KB KOLAO LEASING Co., Ltd. | 93,803 | 78,292 | 11,700 | 15,511 | 4,498 | - | 4,498 |
| Big Dipper Inc. | 370 | 335 | 1,500 | 35 | 10 | 115 | 125 |
| | 94,173 | 78,627 | 13,200 | 15,546 | 4,508 | 115 | 4,623 |

| *(in millions of Korean won)* | Dec. 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Total Assets** | **Total liabilities** | **Share Capital** | **Total Equity** | **Share of net asset amount** | **Unrealized gains or losses, etc** | **Carrying amount** |
| KB KOLAO LEASING Co., Ltd. | 74,124 | 62,658 | 11,700 | 11,466 | 3,325 | - | 3,325 |
| Big Dipper Inc. | 723 | 156 | 1,500 | 567 | 166 | 115 | 281 |
| | 74,847 | 62,814 | 13,200 | 12,033 | 3,491 | 115 | 3,606 |

| *(In millions of Korean won)* | 2019 | | | | |
|---|---|---|---|---|---|
| | **Operating profit** | **Profit for the period** | **Other comprehensive income** | **Total comprehensive income** | **Dividends** |
| **Associates** | | | | | |
| KB KOLAO LEASING Co., Ltd. | 11,512 | 4,259 | (309) | 3,950 | - |
| Big Dipper Inc. | 598 | (532) | - | (532) | - |
| | 12,110 | 3,727 | (309) | 3,418 | - |

| *(In millions of Korean won)* | 2018 | | | | |
|---|---|---|---|---|---|
| | **Operating profit** | **Profit for the period** | **Other comprehensive income** | **Total comprehensive income** | **Dividends** |
| **Associates** | | | | | |
| KB KOLAO LEASING Co., Ltd. | 8,180 | 1,982 | 147 | 2,129 | - |
| Big Dipper Inc. | 441 | (542) | - | (542) | - |
| | 8,621 | 1,440 | 147 | 1,587 | - |

Changes in investments in associates for the years ended December 31, 2019 and 2018 are as follows:

*(In millions of Korean won)*

| | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Beginning** | **Acquisition** | **Disposal** | **Dividends** | **Gains(losses) on equity-method accounting** | **Other comprehensive income** | **Ending** |
| KB KOLAO LEASING Co., Ltd | 3,325 | - | - | - | 1,262 | (89) | 4,498 |
| Big Dipper Inc. | 281 | - | - | - | (156) | - | 125 |
| | 3,606 | - | - | - | 1,106 | (89) | 4,623 |

*(In millions of Korean won)*

| | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Beginning** | **Acquisition** | **Disposal** | **Dividends** | **Gains(losses) on equity-method accounting** | **Other comprehensive income** | **Ending** |
| Inno Lending Lab Inc. | 230 | - | (230) | - | - | - | - |
| KB KOLAO LEASING Co., Ltd | 2,768 | - | - | - | 514 | 43 | 3,325 |
| Big Dipper Inc. | 440 | - | - | - | (159) | - | 281 |
| | 3,438 | - | (230) | - | 355 | 43 | 3,606 |

There are no accumulated unrecognized changes in equity due to the discontinuation of applying equity method for the years ended December 31, 2019 and 2018.

## 12. Property and Equipment

The details of property and equipment as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| | **Acquisition cost** | **Accumulated depreciation** | **Accumulated impairment loss** | **Carrying amount** |
| Land | 51,719 | - | - | 51,719 |
| Buildings | 63,269 | (32,642) | - | 30,627 |
| Leasehold improvements | 17,481 | (15,334) | - | 2,147 |
| Equipment and furniture | 229,176 | (192,623) | - | 36,553 |
| Right-of-use assets | 50,936 | (23,699) | (1,178) | 26,059 |
| Construction in progress | 58 | - | - | 58 |
| | 412,639 | (264,298) | (1,178) | 147,163 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | |
|---|---|---|---|
| | **Acquisition cost** | **Accumulated depreciation** | **Carrying amount** |
| Land | 51,719 | - | 51,719 |
| Buildings | 62,837 | (30,566) | 32,271 |

| | | | |
|---|---|---|---|
| Leasehold improvements | 20,761 | (18,408) | 2,353 |
| Equipment and furniture | 207,139 | (164,714) | 42,425 |
| Finance lease assets | 11,720 | (9,643) | 2,077 |
| Construction in progress | 17 | - | 17 |
| | 354,193 | (223,331) | 130,862 |

The changes in property and equipment for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Beginning[1]** | **Acquisition** | **Transfers** | **Disposal** | **Depreciation** | **Other** | **Ending** |
| Land | 51,719 | - | - | - | - | - | 51,719 |
| Buildings | 32,271 | 432 | - | - | (2,076) | - | 30,627 |
| Leasehold improvements | 2,084 | 1,884 | 17 | - | (1,870) | 32 | 2,147 |
| Equipment and furniture | 42,425 | 23,101 | - | (2) | (28,970) | (1) | 36,553 |
| Construction in progress | 17 | 58 | (17) | - | - | - | 58 |
| Right-of-use assets | 32,658 | 9,270 | - | (277) | (14,453) | (1,139) | 26,059 |
| | 161,174 | 34,745 | - | (279) | (47,369) | (1,108) | 147,163 |

[1] Beginning amount for 2019 includes adjustments from adoption of Korean IFRS 1116

*(In millions of Korean won)*

| | 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Beginning** | **Acquisition** | **Transfers** | **Disposal** | **Depreciation** | **Business combinations** | **Other** | **Ending** |
| Land | 51,719 | - | - | - | - | - | - | 51,719 |
| Buildings | 33,857 | 465 | - | - | (2,051) | - | - | 32,271 |
| Leasehold improvements | 1,861 | 1,661 | 645 | (2) | (2,049) | - | 237 | 2,353 |
| Equipment and furniture | 23,057 | 36,365 | - | (6) | (17,111) | 121 | (1) | 42,425 |
| Construction in progress | - | 17 | (645) | - | - | 644 | 1 | 17 |
| Finance lease assets | 3,219 | - | - | - | (1,142) | - | - | 2,077 |
| | 113,713 | 38,508 | - | (8) | (22,353) | 765 | 237 | 130,862 |

The changes in accumulated impairment losses of property and equipment for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | **Beginning** | **Increase** | **Reversal** | **Others** | **Ending** |
| Accumulated impairment loss | - | 1,178 | - | - | 1,178 |

*(In millions of Korean won)*

| | 2018 | | | | |
|---|---|---|---|---|---|
| | **Beginning** | **Increase** | **Reversal** | **Others** | **Ending** |
| Accumulated impairment loss | - | - | - | - | - |

The insured property and equipment as of December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | | Insurance coverage | | |
|---|---|---|---|---|
| | **Asset insured** | **2019** | **2018** | **Insurance company** |
| General property insurance | Buildings | 52,032 | 50,287 | KB Insurance Co., Ltd. |
| | Leasehold improvements | 9,183 | 8,389 | |
| | Equipment and furniture | 47,304 | 16,881 | |
| | | 108,519 | 75,557 | |

There is no assets pledged as collaterals as of December 31, 2019 and 2018.

## 13. Intangible Assets

The details of intangible assets as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | | | |
|---|---|---|---|---|---|
| | **Acquisition cost** | **Accumulated amortization** | **Accumulated impairment loss** | **Others** | **Carrying amount** |
| Industrial property rights | 79 | (42) | - | - | 37 |
| Software | 240,186 | (64,226) | - | 1 | 175,961 |
| Membership rights | 12,692 | - | (1,483) | - | 11,209 |
| Others | 8 | (7) | - | - | 1 |
| Right-of-use assets | 17,155 | (14,625) | (2,483) | - | 47 |
| Goodwill | 1,515 | - | - | 48 | 1,563 |
| | 271,635 | (78,900) | (3,966) | 49 | 188,818 |

| (In millions of Korean won) | Dec. 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Acquisition cost | Accumulated amortization | Accumulated impairment loss | Others | Carrying amount |
| Industrial property rights | 110 | (58) | - | - | 52 |
| Software | 108,098 | (42,464) | - | - | 65,634 |
| Membership rights | 12,577 | - | (404) | - | 12,173 |
| Others | 8 | (7) | - | - | 1 |
| Finance lease assets | 17,095 | (11,251) | - | - | 5,844 |
| Goodwill | 1,515 | - | - | (5) | 1,510 |
| | 139,403 | (53,780) | (404) | (5) | 85,214 |

The details of allocating goodwill to cash-generating units and related information for impairment testing as of December 31, 2019 are as follows:

| | KB Daehan Specialized Bank |
|---|---|
| Recoverable amount exceeding carrying amount | 11,772 |
| Discount rate (%) | 19.55 |
| Permanent growth rate (%) | 1.00 |

Goodwill is allocated to cash-generating units, based on management's analysis, that are expected to benefit from the synergies of the combination for impairment testing, and cash-generating units consist of an operating segment or units which are not larger than an operating segment.

The Group recognized the amount of ₩ 1,563 million related to goodwill acquired in the acquisition of KB Daehan Specialized Bank. Cash-generating units to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

The recoverable amount of a cash-generating unit is measured at the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. If it is difficult to measure the amount obtainable from the sale, the Group measures the fair value less costs to sell by reflecting the characteristics of the measured cash-generating unit. If it is not possible to obtain reliable information to measure the fair value less costs to sell, the Group uses the asset's value in use as its recoverable amount. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The projections of the future cash flows are based on the most recent financial budget approved by management and generally cover a period of five years. The future cash flows after projection period are estimated on the assumption that the future cash flows will increase by 1.0% for KB Daehan Specialized Bank. The key assumptions used for the estimation of the future cash flows are the market size and the Group's market share. The discount rate is a pretax rate that reflects assumptions regarding risk-free interest rate, market risk premium and the risks specific to the cash generating unit.

The changes in intangible assets for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning[1] | Acquisition | Disposal | Amortization | Others | Ending |
| Industrial property rights | 52 | 2 | - | (17) | - | 37 |
| Software | 65,634 | 145,776 | - | (34,823) | (626) | 175,961 |
| Membership rights | 12,173 | 140 | (26) | - | (1,078) | 11,209 |
| Others | 1 | - | - | - | - | 1 |
| Right-of-use assets | 5,901 | - | - | (3,377) | (2,477) | 47 |
| Goodwill | 1,510 | - | - | - | 53 | 1,563 |
| | 85,271 | 145,918 | (26) | (38,217) | (4,128) | 188,818 |

[1] Beginning amount for 2019 includes adjustments from adoption of Korean IFRS 1116

*(In millions of Korean won)*

| | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Beginning | Acquisition | Disposal | Amortization | Business combinations | Other | Ending |
| Industrial property rights | 69 | 9 | - | (26) | - | - | 52 |
| Software | 54,513 | 35,279 | - | (24,175) | 17 | - | 65,634 |
| Membership rights | 9,206 | 2,967 | - | - | - | - | 12,173 |
| Others | 255 | - | - | (254) | - | - | 1 |
| Finance lease assets | 8,830 | - | - | (2,986) | - | - | 5,844 |
| Goodwill | - | - | - | - | 1,515 | (5) | 1,510 |
| | 72,873 | 38,255 | - | (27,441) | 1,532 | (5) | 85,214 |

The changes in accumulated impairment losses of intangible assets for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Beginning | Increase | Reversal | Others | Ending |
| Accumulated impairment loss | 404 | 3,562 | - | - | 3,966 |

*(In millions of Korean won)*

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Beginning | Increase | Reversal | Others | Ending |
| Accumulated impairment loss | 813 | - | - | (409) | 404 |

## 14. Deferred Income Tax Assets and Liabilities

The details of deferred income tax assets and liabilities as at December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | Dec. 31, 2019 | | |
|---|---|---|---|
| | **Assets** | **Liabilities** | **Net amount** |
| Loans measured at amortized cost | 11,031 | 3,640 | 7,391 |
| Deferred loan origination fees and costs | - | 8,894 | (8,894) |
| Other receivables | - | - | - |
| Leasehold improvements | - | 61 | (61) |
| Depreciation | 1,905 | - | 1,905 |
| Membership | 417 | - | 417 |
| Provisions for unused loan commitments | 30,974 | - | 30,974 |
| Provisions for asset retirement obligation | 726 | - | 726 |
| Other provisions | 10,750 | - | 10,750 |
| Net defined benefit liabilities | 36,769 | - | 36,769 |
| Plan assets | - | 35,921 | (35,921) |
| Deferred revenue on credit card points | 56,623 | - | 56,623 |
| Accrued expenses | 4 | - | 4 |
| Unearned revenue | 19,060 | - | 19,060 |
| Valuation of security investments | - | 16,511 | (16,511) |
| Revaluation on land | - | 2,558 | (2,558) |
| Others | 26,025 | 7,715 | 18,310 |
| | 194,284 | 75,300 | 118,984 |

| *(In millions of Korean won)* | Dec. 31, 2018 | | |
|---|---|---|---|
| | **Assets** | **Liabilities** | **Net amount** |
| Loans measured at amortized cost | 11,125 | 2,450 | 8,675 |
| Deferred loan origination fees and costs | - | 6,665 | (6,665) |
| Other receivables | - | 962 | (962) |
| Leasehold improvements | - | 84 | (84) |
| Depreciation | 1,158 | - | 1,158 |
| Membership | 122 | - | 122 |
| Provisions for unused loan commitments | 29,312 | - | 29,312 |
| Provisions for asset retirement obligation | 693 | - | 693 |
| Other provisions | 9,748 | - | 9,748 |
| Net defined benefit liabilities | 31,520 | - | 31,520 |
| Plan assets | - | 31,683 | (31,683) |
| Deferred revenue on credit card points | 51,473 | - | 51,473 |
| Accrued expenses | 961 | - | 961 |
| Unearned revenue | 15,693 | - | 15,693 |
| Valuation of security | - | 16,181 | (16,181) |

| | | | |
|---|---|---|---|
| investments | | | |
| Revaluation on land | - | 2,558 | (2,558) |
| Others | 17,862 | 1,286 | 16,576 |
| | 169,667 | 61,869 | 107,798 |

The changes in cumulative temporary differences for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | |
|---|---|---|---|---|
| | **Beginning** | **Decrease** | **Increase** | **Ending** |
| **Deductible temporary differences** | | | | |
| Loans | 40,446 | 25,866 | 25,533 | 40,113 |
| Deferred loan origination fees and costs | 1 | 1 | 1 | 1 |
| Depreciation | 4,210 | 884 | 3,601 | 6,927 |
| Membership rights | 443 | 4 | 1,079 | 1,518 |
| Provisions for unused loan commitments | 106,591 | 106,591 | 112,634 | 112,634 |
| Provision for asset retirement obligation | 2,520 | 2,520 | 2,640 | 2,640 |
| Other provisions | 35,452 | 35,452 | 39,091 | 39,091 |
| Defined benefit obligation | 114,618 | 2,297 | 21,383 | 133,704 |
| Deferred revenue on credit card points | 187,176 | 187,176 | 205,904 | 205,904 |
| Accrued expenses | 3,494 | 3,494 | 15 | 15 |
| Unearned revenue | 57,066 | 57,066 | 69,308 | 69,308 |
| Others | 64,958 | 63,148 | 93,324 | 95,134 |
| | 616,975 | 484,499 | 574,513 | 706,989 |
| **Tax rate(%)** | 27.5 | | | 27.5 |
| **Deferred income tax assets** | 169,668 | | | 194,284 |

*(In millions of Korean won)*

| | 2018 | | | |
|---|---|---|---|---|
| | **Beginning**[1] | **Decrease** | **Increase** | **Ending** |
| **Deductible temporary differences** | | | | |
| Loans | 34,741 | 19,433 | 25,138 | 40,446 |
| Deferred loan origination fees and costs | 41 | 41 | 1 | 1 |
| Depreciation | 3,728 | 1,095 | 1,577 | 4,210 |
| Membership rights | 813 | 370 | - | 443 |
| Provisions for unused loan commitments | 93,863 | 93,863 | 106,591 | 106,591 |
| Provision for asset retirement obligation | 2,116 | 2,116 | 2,520 | 2,520 |
| Other provisions | 32,943 | 32,943 | 35,452 | 35,452 |
| Defined benefit obligation | 91,447 | 3,077 | 26,248 | 114,618 |
| Deferred revenue on credit card points | 174,913 | 174,913 | 187,176 | 187,176 |
| Accrued expenses | 16 | 16 | 3,494 | 3,494 |
| Unearned revenue | 48,348 | 48,348 | 57,066 | 57,066 |
| Others | 262,323 | 262,169 | 64,804 | 64,958 |
| | 745,292 | 638,384 | 510,067 | 616,975 |
| **Tax rate(%)** | 27.5 | | | 27.5 |
| **Deferred income tax assets** | 204,955 | | | 169,667 |

[1] Restated in accordance with Korean IFRS 1109.

*(In millions of Korean won)*

| | 2019 | | | |
|---|---|---|---|---|
| | Beginning | Decrease | Increase | Ending |
| **Taxable temporary differences** | | | | |
| Deferred loan origination fees and costs | (24,237) | (24,237) | (32,344) | (32,344) |
| Other receivable | (3,500) | (3,500) | - | - |
| Leasehold improvements | (305) | (305) | (222) | (222) |
| Plan assets | (115,210) | (3,385) | (18,798) | (130,623) |
| Valuation on available-for-sale financial assets | (58,840) | (58,840) | (60,043) | (60,043) |
| Revaluation on land | (9,301) | - | - | (9,301) |
| Loans | (8,908) | (8,908) | (13,235) | (13,235) |
| Others | (4,678) | (4,418) | (27,793) | (28,053) |
| | (224,979) | (103,593) | (152,435) | (273,821) |
| **Tax rate(%)** | 27.5 | | | 27.5 |
| **Deferred income tax liabilities** | (61,869) | | | (75,300) |

*(In millions of Korean won)*

| | 2018 | | | |
|---|---|---|---|---|
| | Beginning | Decrease | Increase | Ending |
| **Taxable temporary differences** | | | | |
| Deferred loan origination fees and costs | (17,379) | (17,379) | (24,237) | (24,237) |
| Other receivable | (3,500) | - | - | (3,500) |
| Leasehold improvements | (240) | (240) | (305) | (305) |
| Plan assets | (84,633) | (3,078) | (33,655) | (115,210) |
| Valuation on available-for-sale financial assets | (56,727) | (56,727) | (58,840) | (58,840) |
| Revaluation on land | (9,301) | - | - | (9,301) |
| Loans | (5,315) | (5,315) | (8,908) | (8,908) |
| Others | (7,527) | (7,249) | (4,400) | (4,678) |
| | (184,622) | (89,988) | (130,345) | (224,979) |
| **Tax rate(%)** | 27.5 | | | 27.5 |
| **Deferred income tax liabilities** | (50,771) | | | (61,869) |

## 15. Other Assets

The details of other assets as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | |
|---|---|---|---|
| | Other financial assets | Other non-financial assets | Total |
| Accounts receivable | 216,018 | 772 | 216,790 |
| Prepaid expenses | - | 18,274 | 18,274 |

| | | | |
|---|---|---|---|
| Accrued income | 97,109 | - | 97,109 |
| Advances | 3,452 | 25,635 | 29,087 |
| Guarantee deposits | 47,041 | - | 47,041 |
| Reinsurance assets | - | 3,407 | 3,407 |
| Other operating assets[1] | - | 7,783 | 7,783 |
| | 363,620 | 55,871 | 419,491 |
| Allowances for losses on other assets | (8,675) | - | (8,675) |
| Carrying amount | 354,945 | 55,871 | 410,816 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | |
|---|---|---|---|
| | Other financial assets | Other non-financial assets | Total |
| Accounts receivable | 245,754 | 58 | 245,812 |
| Prepaid expenses | - | 14,717 | 14,717 |
| Accrued income | 89,837 | - | 89,837 |
| Advances | 3,111 | 44,906 | 48,017 |
| Guarantee deposits | 47,646 | - | 47,646 |
| Reinsurance assets | - | 4,400 | 4,400 |
| Other operating assets[1] | - | 6,040 | 6,040 |
| | 386,348 | 70,121 | 456,469 |
| Allowances for losses on other assets | (7,825) | - | (7,825) |
| Carrying amount | 378,523 | 70,121 | 448,644 |

[1]Net of accumulated impairment loss

The changes in allowances for losses on other assets for the years ended December 31, 2019 and 2018 are as follows:

*(In millions of Korean won)*

| | 2019 | | |
|---|---|---|---|
| | Other financial assets | Other non-financial assets | Total |
| Beginning | 7,825 | - | 7,825 |
| Write-offs | (2,844) | - | (2,844) |
| Provision (Reversal)[1] | 3,687 | - | 3,687 |
| Other | 7 | - | 7 |
| Ending | 8,675 | - | 8,675 |

[1] Recovery of written-off loans amounting to ₩ 1,653 million is included.

*(In millions of Korean won)*

| | 2018 | | |
|---|---|---|---|
| | Other financial assets | Other non-financial assets | Total |
| Beginning[1] | 7,439 | 1,964 | 9,403 |
| Write-offs | (1,965) | - | (1,965) |
| Provision (Reversal)[2] | 2,352 | (1,964) | 388 |

| | | | |
|---|---|---|---|
| Other | (1) | - | (1) |
| Ending | 7,825 | - | 7,825 |

[1] Restated in accordance with Korean IFRS 1109
[2] Recovery of written-off loans amounting to ₩ 1,133 million is included.

## 16. Debts

The details of debts as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Lender | Annual interest rate(%) | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|---|
| Commercial Paper | Bookook Securities Co., Ltd and others | 1.64 ~ 1.81 | 1,040,000 | 600,000 |
| Borrowings in foreign currencies | Kookmin Bank Cambodia PLC and others | 3M Libor+1.10 ~ 3M Libor+1.60 | 19,683 | 3,354 |
| | Korea Development Bank and others | 3.15 ~ 4.15 | 69,468 | 16,772 |
| | | | 1,129,151 | 620,126 |

The details of debts borrowed from financial institutions as of December 31, 2019 and December 31, 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | |
|---|---|---|---|
| | Bank | Others | Total |
| Commercial Paper | 120,000 | 920,000 | 1,040,000 |
| Borrowings in foreign currencies | 89,151 | - | 89,151 |
| | 209,151 | 920,000 | 1,129,151 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | |
|---|---|---|---|
| | Bank | Others | Total |
| Commercial Paper | 170,000 | 430,000 | 600,000 |
| Borrowings in foreign currencies | 20,126 | - | 20,126 |
| | 190,126 | 430,000 | 620,126 |

## 17. Debentures

The details of debentures measured at amortized cost as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| Debentures in Korean won | Annual interest rate (%) | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| Fixed rate debentures in Korean won | 1.39 ~ 3.79 | 12,080,000 | 11,080,000 |

| | | | |
|---|---|---|---|
| Floating rate debentures in Korean won | CD(91 days)+0.28 ~ CD(91 days)+0.74 | 880,000 | 610,000 |
| Floating rate debentures in Korean won | CMS(5 years)+0.18 ~ CMS(5 years)+0.51 | 400,000 | 400,000 |
| Assets-backed debentures (Fixed rate debentures in Korean won) | 1.17 ~ 2.37 | 300,000 | 300,000 |
| Discount on debentures | | (7,047) | (6,629) |
| | | 13,652,953 | 12,383,371 |
| **Debentures in foreign currency** | | | |
| Asset-backed debentures (Floating rate debentures in foreign currency[1]) | 1M Libor+0.50 ~ 1M Libor+0.58 | 926,240 | 447,240 |
| Assets-backed debentures (Fixed rate debentures in foreign currency[2]) | 1.60 ~ 2.01 | 236,650 | 225,551 |
| Discount on debentures | | (2,387) | (2,566) |
| | | 1,160,503 | 670,225 |
| | | 14,813,456 | 13,053,596 |

[1] Amounting to USD 800 million and USD 400 million as at December 31, 2019 and 2018, respectively.
[2] Amounting to SGD 275.64 million as at December 31, 2019 and 2018.

The changes in debentures based on face value for the years ended December 31, 2019 and 2018 are as follows:

*(In millions of Korean won)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | **Beginning** | **Issuances** | **Repayments** | **Others** | **Ending** |
| **Debentures in Korean won** | | | | | |
| Fixed rate debentures in Korean won | 11,080,000 | 26,791,500 | (25,791,500) | - | 12,080,000 |
| Floating rate debentures in Korean won | 1,010,000 | 270,000 | - | - | 1,280,000 |
| Assets-backed debentures (Fixed rate debentures in Korean won) | 300,000 | - | - | - | 300,000 |
| | 12,390,000 | 27,061,500 | (25,791,500) | - | 13,660,000 |
| **Debentures in foreign currency** | | | | | |
| Asset-backed debentures (Floating rate debentures in foreign currency) | 447,240 | 471,600 | - | 7,400 | 926,240 |
| Assets-backed debentures (Fixed rate debentures in foreign currency) | 225,551 | - | - | 11,099 | 236,650 |
| | 672,791 | 471,600 | - | 18,499 | 1,162,890 |
| | 13,062,791 | 27,533,100 | (25,791,500) | 18,499 | 14,822,890 |

*(In millions of Korean won)*

| | 2018 | | | | |
|---|---|---|---|---|---|
| | **Beginning** | **Issuances** | **Repayments** | **Others** | **Ending** |
| **Debentures in Korean won** | | | | | |
| Fixed rate debentures in Korean won | 9,597,000 | 24,603,000 | (23,120,000) | - | 11,080,000 |
| Floating rate debentures in Korean won | 728,000 | 520,000 | (238,000) | - | 1,010,000 |
| Assets-backed debentures (Fixed rate debentures in Korean won) | 10,000 | 300,000 | (10,000) | - | 300,000 |
| | 10,335,000 | 25,423,000 | (23,368,000) | - | 12,390,000 |
| **Debentures in foreign currency** | | | | | |
| Asset-backed debentures (Floating rate debentures in foreign currency) | 535,700 | - | (110,100) | 21,640 | 447,240 |
| Assets-backed debentures (Fixed rate debentures in foreign currency) | 220,686 | - | - | 4,865 | 225,551 |
| | 756,386 | - | (110,100) | 26,505 | 672,791 |
| | 11,091,386 | 25,423,000 | (23,478,100) | 26,505 | 13,062,791 |

## 18. Provisions

The details of provisions as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | **Dec. 31, 2019** | **Dec. 31, 2018** |
|---|---|---|
| Provisions for unused loan commitments | 112,293 | 106,591 |
| Provisions for asset retirement obligation | 2,807 | 2,520 |
| Others | 38,333 | 35,044 |
| | 153,433 | 144,155 |

The changes in provisions for unused loan commitments for the years ended December 31, 2019 and 2018 are as follows:

*(In millions of Korean won)*

| | 2019 | | | |
|---|---|---|---|---|
| | **12-month expected credit losses** | **Lifetime expected credit losses** | | **Total** |
| | | **Non-impaired** | **Impaired** | |
| Beginning | 57,775 | 40,021 | 8,795 | 106,591 |
| Transfer between stages | | | | |
| Transfer to 12-month expected credit losses | 17,360 | (16,173) | (1,187) | - |
| Transfer to lifetime expected credit losses | (3,235) | 3,440 | (205) | - |

| | | | | |
|---|---|---|---|---|
| Impairment | (303) | (716) | 1,019 | - |
| Provision (reversal) | (5,406) | 10,217 | 891 | 5,702 |
| Ending | 66,191 | 36,789 | 9,313 | 112,293 |

| *(In millions of Korean won)* | 2018 | | | |
|---|---|---|---|---|
| | 12-month expected credit losses | Lifetime expected credit losses | | Total |
| | | Non-impaired | Impaired | |
| Beginning[1] | 49,961 | 36,223 | 7,679 | 93,863 |
| Transfer between stages | | | | |
| Transfer to 12-month expected credit losses | 15,560 | (14,133) | (1,427) | - |
| Transfer to lifetime expected credit losses | (3,353) | 3,598 | (245) | - |
| Impairment | (281) | (667) | 948 | - |
| Provision (reversal) | (4,112) | 15,000 | 1,840 | 12,728 |
| Ending | 57,775 | 40,021 | 8,795 | 106,591 |

[1] Restated in accordance with Korean IFRS 1109.

The changes in provision for asset retirement obligation for the years ended December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | 2019 | 2018 |
|---|---|---|
| Beginning | 2,520 | 2,116 |
| Increase | 240 | 165 |
| Reversal | - | - |
| Used | (113) | (73) |
| Unwinding of discount | 75 | 70 |
| Readjustment effect | 85 | 242 |
| Ending | 2,807 | 2,520 |

Asset retirement obligation liabilities are the best estimate cost which is discounted to the present value at an appropriate discount rate to be incurred for restoration of the leased properties. Payment of asset retirement obligation liabilities are expected to arise at the end of each lease contract.

The changes in other provisions for the years ended December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | 2019 | | | |
|---|---|---|---|---|
| | Credit card point program | Litigations | Others | Total |
| Beginning | 10,803 | 11,249 | 12,992 | 35,044 |
| Increase | 56,697 | 1,164 | 12,597 | 70,458 |

| | | | | |
|---|---|---|---|---|
| Decrease | (54,415) | (9,367) | (3,387) | (67,169) |
| Ending | 13,085 | 3,046 | 22,202 | 38,333 |

*(In millions of Korean won)*

| | 2018 | | | |
|---|---|---|---|---|
| | **Credit card point program** | **Litigations** | **Others** | **Total** |
| Beginning | 10,639 | 12,396 | 9,909 | 32,944 |
| Increase | 46,167 | - | 4,518 | 50,685 |
| Decrease | (46,003) | (1,147) | (1,435) | (48,585) |
| Ending | 10,803 | 11,249 | 12,992 | 35,044 |

## 19. Net Defined Benefit Liabilities(Assets)

The Group operates defined benefit plans which have the following characteristics:

- The Group has the obligation to pay the agreed benefit to all its employees.
- The Group is substantially liable for actuarial risk (benefits will cost more than expected) and investment risk.

The defined benefit obligation is calculated using the Projected Unit Credit method (the 'PUC') by independent actuaries. The present value of the defined benefit obligation is presented by currency to be paid and determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized in the period incurred through other comprehensive income (loss).

Actuarial assumptions may differ from actual result such as change in the market, economic trend and mortality trend which may impact defined benefit obligation and future payments. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the period that the change has incurred through other comprehensive income (loss).

The details of the net defined benefit liabilities(assets) as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | **Dec. 31, 2019** | **Dec. 31, 2018** |
|---|---|---|
| Present value of defined benefit liability | 136,982 | 119,555 |
| Fair value of plan assets | (137,928) | (118,138) |
| Net defined benefit liabilities (assets) | (946) | 1,417 |

The changes in the net defined benefit obligation (assets) for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | |
|---|---|---|---|
| | **Present value of defined benefit obligation** | **Fair value of plan assets** | **Net defined benefit liabilities** |
| Beginning | 119,555 | (118,138) | 1,417 |
| Current service cost | 14,533 | - | 14,533 |
| Interest cost (income) | 2,732 | (2,699) | 33 |
| Remeasurements | | | |
| Return on plan assets | - | 935 | 935 |
| Gains (losses) from change in demographic assumptions | (114) | - | (114) |
| Losses (gains) from change in financial assumptions | 4,245 | - | 4,245 |
| Experience losses (gains) | (13) | - | (13) |
| Transfer from related parties | 598 | (598) | - |
| Transfer to related parties | (498) | 498 | - |
| Payments from plans | (2,297) | 2,297 | - |
| Payments from the Group | (1,759) | - | (1,759) |
| Contributions from the Group | - | (20,223) | (20,223) |
| Ending | 136,982 | (137,928) | (946) |

*(In millions of Korean won)*

| | 2018 | | |
|---|---|---|---|
| | **Present value of defined benefit obligation** | **Fair value of plan assets** | **Net defined benefit liabilities** |
| Beginning | 96,837 | (97,530) | (693) |
| Current service cost | 12,874 | - | 12,874 |
| Interest cost (income) | 2,789 | (2,809) | (20) |
| Remeasurements | | | |
| Return on plan assets | - | 1,551 | 1,551 |
| Gains (losses) from change in demographic assumptions | (15) | - | (15) |
| Losses (gains) from change in financial assumptions | 8,655 | - | 8,655 |
| Experience losses (gains) | 1,943 | - | 1,943 |
| Transfer from related parties | 1,197 | (1,197) | - |
| Transfer to related parties | (587) | 587 | - |

| | | | |
|---|---|---|---|
| Payments from plans | (3,077) | 3,077 | - |
| Payments from the Group | (1,061) | - | (1,061) |
| Contributions from the Group | - | (21,817) | (21,817) |
| Ending | 119,555 | (118,138) | 1,417 |

Remeasurements of the net defined benefit liability recognized as other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | 2018 |
|---|---|---|
| Remeasurements | | |
| Return on plan assets | (935) | (1,551) |
| Actuarial gains by changes in demographic assumptions | 114 | 15 |
| Actuarial gains by changes in financial assumptions | (4,245) | (8,655) |
| Actuarial gains (losses) by experience adjustments | 13 | (1,943) |
| Income tax effects | 1,390 | 3,337 |
| Remeasurements after income tax | (3,663) | (8,797) |

Plan assets as of December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Posted price | Unposted price | Total | Ratio(%) | Posted price | Unposted price | Total | Ratio(%) |
| Time deposit | - | 137,928 | 137,928 | 100.00 | - | 118,138 | 118,138 | 100.00 |

The details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | 2018 |
|---|---|---|
| Current service cost | 14,533 | 12,874 |
| Interest cost | 33 | (20) |
| | 14,566 | 12,854 |

The principal actuarial assumptions used as of December 31, 2019 and 2018, are as follows:

| | 2019 | 2018 |
|---|---|---|
| Discount rate(%) | 2.00 | 2.30 |
| Future salary increase rate(%) | 3.61 | 3.57 |
| Future turnover(%) | 1.37 | 1.32 |

The sensitivity of the overall pension liability to changes in the weighted principal assumptions as of December 31, 2019 and 2018, is as follows:

| | 2019 | | |
|---|---|---|---|
| | Effect on net defined benefit liability (asset) | | |
| | Change in principal assumption | Increase in principal assumption | Decrease in principal assumption |
| Discount rate(%) | 0.50 | (4.50) | 4.84 |
| Salary increase rate(%) | 0.50 | 5.00 | (4.70) |
| Turnover(%) | 0.50 | (0.48) | 0.51 |

| | 2018 | | |
|---|---|---|---|
| | Effect on net defined benefit liability (asset) | | |
| | Change in principal assumption | Increase in principal assumption | Decrease in principal assumption |
| Discount rate(%) | 0.50 | (4.62) | 4.96 |
| Salary increase rate(%) | 0.50 | 5.14 | (4.83) |
| Turnover(%) | 0.50 | (0.38) | 0.40 |

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The Group 's best estimate of contributions expected to be paid in 2020 amounts to ₩ 15,300 million.

Actual return on plan assets amounted to ₩ 1,766 million and ₩ 1,258 million during the current and last year, respectively.

Expected weighted average duration of the defined benefit obligation as of December 31, 2019 and 2018 is 9.5 years and 9.8 years.

Expected maturity analysis of discounted pension benefits as of December 31, 2019 and 2018, is as follows:

| *(In millions of Korean won)* | | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Between 5 and 10 years | Over 10 years | Total |
|---|---|---|---|---|---|---|---|
| Pension benefits | **2019** | 1,763 | 11,113 | 31,522 | 76,572 | 269,331 | 390,301 |
| | **2018** | 1,527 | 7,983 | 25,571 | 70,744 | 275,469 | 381,294 |

## 20. Other Liabilities

The details of other liabilities, as at December 31, 2019 and 2018 are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | | |
|---|---|---|---|
| | **Other financial liabilities** | **Other non-financial liabilities** | **Total** |
| **Other liabilities** | | | |
| Other payables | 2,050,983 | 77,305 | 2,128,288 |
| Prepaid card | 25,517 | - | 25,517 |
| Unearned revenue | - | 69,870 | 69,870 |
| Accrued expenses | 181,160 | 26,283 | 207,443 |
| Deferred revenue on credit card points | - | 205,903 | 205,903 |
| Guarantee deposits | 18,580 | - | 18,580 |
| Withholdings | 98,066 | 7,445 | 105,511 |
| Insurance liabilities | - | 3,407 | 3,407 |
| Lease liabilites | 26,633 | - | 26,633 |
| Others | - | 7,021 | 7,021 |
| | 2,400,939 | 397,234 | 2,798,173 |

*(In millions of Korean won)*

| | Dec. 31, 2018 | | |
|---|---|---|---|
| | **Other financial liabilities** | **Other non-financial liabilities** | **Total** |
| **Other liabilities** | | | |
| Other payables | 2,041,621 | 99,311 | 2,140,932 |
| Prepaid card | 23,479 | - | 23,479 |
| Unearned revenue | - | 57,871 | 57,871 |
| Accrued expenses | 169,423 | 25,182 | 194,605 |
| Deferred revenue on credit card points | - | 187,176 | 187,176 |
| Guarantee deposits | 18,263 | - | 18,263 |
| Withholdings | 82,167 | 8,241 | 90,408 |
| Insurance liabilities | | 4,400 | 4,400 |
| Others | 2,096 | 7,043 | 9,139 |
| | 2,337,049 | 389,224 | 2,726,273 |

Changes in deferred revenue on credit card points for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | **2019** | **2018** |
|---|---|---|
| Beginning | 187,176 | 174,913 |
| Increase | 304,691 | 246,185 |
| Decrease | (285,964) | (233,922) |
| Ending | 205,903 | 187,176 |

### Insurance liabilities

The changes in insurance liabilities for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Insurance liabilities | | | Reinsurance assets | | |
| | Reserve for outstanding claims | Unearned premium reserve | Total | Reserve for outstanding claims | Unearned premium reserve | Total |
| Beginning | 3,418 | 982 | 4,400 | 3,418 | 982 | 4,400 |
| Provision (reversal) | (854) | (139) | (993) | (854) | (139) | (993) |
| Ending | 2,564 | 843 | 3,407 | 2,564 | 843 | 3,407 |

*(In millions of Korean won)*

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Insurance liabilities | | | Reinsurance assets | | |
| | Reserve for outstanding claims | Unearned premium reserve | Total | Reserve for outstanding claims | Unearned premium reserve | Total |
| Beginning | 3,671 | 1,073 | 4,744 | 3,671 | 1,073 | 4,744 |
| Provision (reversal) | (253) | (91) | (344) | (253) | (91) | (344) |
| Ending | 3,418 | 982 | 4,400 | 3,418 | 982 | 4,400 |

Insurance-related income and insurance-related expense for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | 2018 |
|---|---|---|
| **Insurance-related income** | | |
| Insurance premium earned | 23,080 | 26,498 |
| Reinsurance revenue | 4,801 | 5,429 |
| Increase in reinsurance assets/ decrease in insurance liabilities | 993 | 344 |
| | 28,874 | 32,271 |

*(In millions of Korean won)*

| | 2019 | 2018 |
|---|---|---|
| **Insurance-related expenses**[1] | | |
| Reinsurance premium paid | 6,640 | 7,344 |
| Insurance expenses | 4,801 | 5,429 |
| Increase in insurance liabilities/ decrease in insurance assets | 993 | 344 |
| | 12,434 | 13,117 |

[1] Solicitation and entrustment commission expenses for the years ended December 31, 2019 and 2018, amounting to ₩ 692 million and ₩ 768 million, are not included.

## 21. Equity

### 21.1 Share Capital

The details of outstanding shares of the Group as at December 31, 2019 and 2018, are as follows:

| | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Number of shares authorized | 360,000,000 | 360,000,000 |
| Number of shares issued | 92,000,000 | 92,000,000 |
| Par value per share (in Korean won) | 5,000 | 5,000 |
| Capital stock[1] | 460,000 | 460,000 |

[1] In millions of Korean won.

### 21.2 Capital Surplus

The details of capital surplus as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Paid-in capital in excess of par value | 1,976,820 | 1,976,820 |

### 21.3 Accumulated Other Comprehensive Income (Loss)

The details of accumulated other comprehensive income(loss) as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 |
|---|---|
| Remeasurements of net defined benefit liabilities (assets) | (17,696) |
| Change in value of financial instruments measured at fair value through other comprehensive income | 50,127 |
| Shares of other comprehensive income of associates | (357) |
| Cash flow hedges | (12,966) |
| Exchange differences on translating foreign operations | (50) |
| | 19,058 |

*(In millions of Korean won)*

| | Dec. 31, 2018 |
|---|---|
| Remeasurements of net defined benefit liabilities (assets) | (14,033) |
| Change in value of financial instruments measured at fair value through other comprehensive income | 50,878 |
| Shares of other comprehensive income (loss) of associates | (268) |
| Cash flow hedges | (7,156) |
| Exchange differences on translating foreign operations | (68) |
| | 29,353 |

The changes in accumulated other comprehensive income(loss) for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning[1] | Increase (decrease) | Reclassification | Tax effect | Minority interest | Ending |
| Remeasurements of net defined benefit liabilities (assets) | (14,033) | (5,053) | - | 1,390 | - | (17,696) |
| Change in value of financial instruments measured at fair value through other comprehensive income | 50,878 | (1,036) | - | 285 | - | 50,127 |
| Shares of other comprehensive income (loss) of associates | (268) | (89) | - | - | - | (357) |
| Cash flow hedges | (7,156) | 9,760 | (17,574) | 2,004 | - | (12,966) |
| Exchange differences on translating foreign operations | (68) | 14 | - | - | 4 | (50) |
| | 29,353 | 3,596 | (17,574) | 3,679 | 4 | 19,058 |

*(In millions of Korean won)*

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning[1] | Increase (decrease) | Reclassification | Tax effect | Minority interest | Ending |
| Remeasurements of net defined benefit liabilities (assets) | (5,236) | (12,134) | - | 3,337 | - | (14,033) |
| Change in value of financial instruments measured at fair value through other comprehensive income | 49,072 | 2,491 | - | (685) | - | 50,878 |
| Shares of other comprehensive income (loss) of associates | (311) | 43 | - | - | - | (268) |
| Cash flow hedges | 10,760 | 2,990 | (24,707) | 3,801 | - | (7,156) |
| Exchange differences on translating foreign operations | - | (75) | - | - | 7 | (68) |
| | 54,285 | (6,685) | (24,707) | 6,453 | 7 | 29,353 |

[1] Restated in accordance with Korean IFRS 1109.

### 21.4 Retained earnings

Retained earnings as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Legal reserve[1] | 113,015 | 93,014 |
| Regulatory reserve for credit losses | 609,200 | 746,759 |
| Reserve for liabilities on electronic financial incidents | 1,000 | 1,000 |
| Reserve for liabilities on credit card incidents | 2,000 | 2,000 |
| Unappropriated retained earnings | 881,616 | 647,520 |
| | 1,606,831 | 1,490,293 |

[1] The Commercial Code of the Republic of Korea requires the Group to appropriate for each financial period, as a legal 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 dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit in accordance with a resolution of the shareholders' meeting.

The Group is required to appropriate, as a reserve for credit losses, more than the difference between the allowances of credit losses in accordance with Korean IFRS and with the Article 11 of Regulation on Supervision of credit-specialized financial business if the allowance in accordance with Korean IFRS is less than that in accordance with the Regulation on Supervision of credit-specialized financial business.

The reserve for credit losses is allowed to be reversed to the reserve amount required by the related financial regulation if the reserve for credit losses is over the required reserve. If there is an accumulated deficit, no reserve for credit losses is appropriated until the accumulated deficit is disposed of.

The details of the regulatory reserve for credit losses as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Beginning | 609,200 | 746,759 |
| Attributable to shareholders of the Parent Company | 609,200 | 746,759 |
| Attributable to non-controlling interests | - | - |
| Changes in accounting policies[1] | - | (220,803) |
| Provision of regulatory reserve for credit losses | 133,778 | 83,244 |
| Ending | 742,978 | 609,200 |

[1] Changes in accordance with Korean IFRS 1109.

The regulatory provision for credit losses and profit after regulatory for credit losses for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | 2018 |
|---|---|---|
| Profit for the year | 316,546 | 286,599 |
| Provision of regulatory reserve for credit losses, scheduled credit losses[1] | (133,778) | (83,244) |
| Adjusted profit after provision of regulatory reserve for credit losses[2] | 182,768 | 203,355 |

[1]The amount expected to be appropriated is the amount required to reserve for credit losses, calculated based on the beginning balance of regulatory reserve for credit losses (including unearned reserves) that reflects the effect of adoption of Korean IFRS 1109 retrospectively.
[2] Adjusted profit after provision of regulatory reserve for credit losses is not in accordance with Korean IFRS and calculated on the assumption that provision or reversal of regulatory reserve for credit losses before income tax is adjusted to the net income.

The earnings per share and adjusted earnings per share after provision of regulatory for credit losses for the years ended December 31, 2019 and 2018, are as follows:

*(In Korean won)*

| | 2019 | 2018 |
|---|---|---|
| Earnings per share for the year[1] | 3,411 | 3,115 |
| Adjusted earnings per share after provision of regulatory reserve for credit losses[2] | 1,987 | 2,210 |

[1] Earnings per share: Profit for the year ₩ (316,545,997,349)/ the number of ordinary shares outstanding (92,000,000) = ₩ 3,441
[2]Adjusted earnings per share after provision of regulatory reserve for credit losses: Adjusted profit after provision of regulatory for credit losses for the year ₩ (182,767,321,092)/ the number of ordinary shares outstanding (92,000,000) = ₩ 1,987

Pursuant to the Article 9 of Electronic Financial Transactions Act, the Group is categorized as a financial institution that is required to enter into insurance policies or mutual aid associations or appropriate reserves, as necessary. Accordingly, the Group appropriated retained earnings as discretionary reserve with the approval of shareholder's meeting on March 2014.

Pursuant to the Article 16 of Specialized Credit Finance Business Act, the Group is categorized as a financial institution that is required to enter into insurance policies or mutual aid associations or appropriate reserves, as necessary. Accordingly, the Group appropriated retained earnings as discretionary reserve with the approval of shareholder's meeting on March 2016.

The dividends paid to the shareholders of the Group in 2019 and 2018 were ₩200,008 million(₩2,174 per share) and ₩180,044 million (₩1,957 per share), respectively. The dividends to the shareholders on respect if the year ended December 31, 2019 amounting to total dividends of ₩100,004 million(₩1,087 per share), is to be proposed at the annual general meeting on March 19, 2020. The Group's financial statements as of December 31, 2019 do not reflect this dividend payable.

## 22. Net Interest Income

Interest income, interest expense and net interest income for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 |
|---|---|
| **Interest income** | |
| Due from financial institutions measured at fair value through profit or loss | 2,030 |
| Short-term financial instruments measured at fair value through profit or loss (interest) | 8,782 |
| Due from financial institutions measured at amortized cost | 798 |
| Loans measured at amortized cost | 1,565,288 |
| Securities measured at amortized cost | 177 |
| Other | 4,472 |
| | 1,581,547 |
| **Interest expense** | |
| Debts | 17,794 |
| Debentures | 328,868 |
| Others[1] | 4,228 |
| | 350,890 |
| **Net interest income** | 1,230,657 |

*(In millions of Korean won)*

| | 2018 |
|---|---|
| **Interest income** | |
| Due from financial institutions measured at fair value through profit or loss | 2,469 |
| Short-term financial instruments measured at fair value through profit or loss (interest) | 6,001 |
| Due from financial institutions measured at amortized cost | 908 |
| Loans measured at amortized cost | 1,460,329 |
| Other | 4,464 |
| | 1,474,171 |
| **Interest expense** | |
| Debts | 12,851 |

| | |
|---|---|
| Debentures | 289,641 |
| Others[1] | 3,600 |
| | 306,092 |
| **Net interest income** | 1,168,079 |

[1]Includes interest expense from lease liabilities of ₩ 693 million and ₩ 64 million for the years ended December 31, 2019 and 2018, respectively.

Interest income recognized on impaired loans amounts to ₩ 28,615 million and ₩ 22,552 million for the years ended December 31, 2019 and 2018, respectively.

## 23. Net Fee and Commission Income

Fee and commission income, fee and commission expense, and net fee and commission income for the years ended December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | 2019 | 2018 |
|---|---|---|
| **Fee and commission income** | | |
| Loans | 1,741,066 | 1,680,029 |
| Check cards | 371,074 | 418,836 |
| Others | 111,478 | 70,915 |
| Deduction of income[1] | (817,380) | (743,238) |
| | 1,406,238 | 1,426,647 |
| **Fee and commission expense** | | |
| Loans[1] | 1,738,701 | 1,739,562 |
| Check cards[1] | 8,387 | 8,573 |
| Others | 214,755 | 156,891 |
| Deduction of expense[1] | (817,380) | (743,238) |
| | 1,144,463 | 1,161,788 |
| **Net fee and commission income** | 261,775 | 264,859 |

[1] The amount deducted is in accordance with Korean IFRS 1115.
[2] Joint marketing expenses for loans and check cards have been included as part of loans commission expense.

## 24. Net Gain on Financial Instruments Measured at Fair Value through Profit or Loss

Net gain or loss from financial instruments measured at fair value through profit or loss includes dividend income, gains or losses arising from changes in the fair values, sales and redemptions. Details of net gain or loss from financial instruments measured at fair value through profit or loss for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 |
|---|---|
| **Revenue from financial instruments measured at fair value through profit or loss** | |
| **Financial assets measured at fair value through profit or loss** | |
| Equity securities | 13 |
| Short-term financial instruments(non-interest bearing) | 540 |
| | 553 |
| **Expense from financial instruments measured at fair value through profit or loss** | |
| **Financial assets measured at fair value through profit or loss** | |
| Equity securities | 173 |
| Debt securities | 9 |

| | |
|---|---|
| | 182 |
| **Net gain on financial instruments measured at fair value through profit or loss** | 371 |

*(In millions of Korean won)*

| | 2018 |
|---|---|
| **Revenue from financial instruments measured at fair value through profit or loss** | |
| **Financial assets measured at fair value through profit or loss** | |
| Equity securities | 2,812 |
| Short-term financial instruments(non-interest bearing) | 1,064 |
| | 3,876 |
| **Expense from financial instruments measured at fair value through profit or loss** | |
| **Financial assets measured at fair value through profit or loss** | |
| Equity securities | 10 |
| Debt securities | - |
| | 10 |
| **Net gain on financial instruments measured at fair value through profit or loss** | 3,866 |

## 25. Other Operating Income and Expense

The details of other operating income and expense for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 |
|---|---|
| **Other operating income** | |
| Revenue related to securities measured at fair value through other comprehensive income | |
| Dividend income | 3,117 |
| Insurance-related income | 28,874 |
| Others | 81,857 |
| Subtotal | 113,848 |
| **Other operating expense** | |
| Credit card point-related costs | 313,309 |
| Insurance-related expense | 13,126 |
| Others | 19,180 |
| Subtotal | 345 ,615 |
| **Net other operating expense** | (231,767) |

*(In millions of Korean won)*

| | 2018 |
|---|---|
| **Other operating income** | |
| Revenue related to securities measured at fair value through other comprehensive income | |
| Dividend income | 5,913 |
| Insurance-related income | 32,271 |
| Others | 102,161 |
| Subtotal | 140,345 |
| **Other operating expense** | |
| Credit card point-related costs | 246,680 |
| Insurance-related expense | 13,885 |
| Others | 13,533 |
| Subtotal | 274,098 |
| **Net other operating expense** | (133,753) |

## 26. Operating Profit

The details of operating profit for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | 2018 |
|---|---|---|
| **Operating revenue** | | |
| Interest income | 1,581,547 | 1,474,171 |
| Fee and commission income | 1,406,238 | 1,426,647 |
| Income from financial instruments measured at fair value through profit or loss | 553 | 3,876 |
| Other operating income | 113,848 | 140,345 |
| | 3,102,186 | 3,045,039 |
| **Operating expense** | | |
| Interest expense | 350,890 | 306,092 |
| Fee and commission expense | 1,144,463 | 1,161,788 |
| Provision for credit losses | 439,765 | 429,068 |
| General and administrative expenses | 441,920 | 404,926 |
| Expense from financial instruments measured at fair value through profit or loss | 182 | 10 |
| Other operating expenses | 345,615 | 274,098 |
| | 2,722,835 | 2,575,982 |
| **Operating profit** | 379,351 | 469,057 |

## 27. General and Administrative Expense

The details of general and administrative expense for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | 2018 |
|---|---|---|
| **Employee Benefits** | | |
| Salaries and short-term employee benefits - Salaries | 168,145 | 160,345 |
| Salaries and short-term employee benefits - Others | 45,478 | 44,535 |
| Postemployment benefits - Defined benefit plans | 14,566 | 12,854 |
| Postemployment benefits - Defined contribution plans | 11 | 16 |
| Termination benefits | 5,672 | 16,480 |
| Share-based payments | 2,449 | 377 |
| | 236,321 | 234,607 |
| **Depreciation and amortization** | 85,586 | 49,794 |
| **Other general and administrative expenses** | | |
| Supplies | 1,007 | 836 |
| Advertising expenses | 1,183 | 4,236 |
| Tax and dues | 25,455 | 23,272 |
| Communications | 4,255 | 6,165 |
| Welfare expense | 3,565 | 2,874 |
| EDPS expenses | 58,034 | 45,300 |
| Rental expense | 9,025 | 20,358 |
| Service fees | 5,428 | 5,749 |
| Publication | 1,423 | 1,588 |
| Others | 10,638 | 10,147 |
| | 120,013 | 120,525 |
| | 441,920 | 404,926 |

### Stock grants

KB Financial Group Inc., the parent company, entered into an agreement with the directors of the Group for stock grants. The Group and KB Financial Group Inc. settle the accrued expense according to the agreement. Also, the Group recorded annual compensation costs as employee benefits.

Stock grant is an incentive plan that sets maximum number of shares to be granted and grants shares upon achievement of goals. KB Financial Group Inc. has the power to decide whether to settle in cash or by issuing equity instruments of KB Financial Group Inc. for share-based payment at the date of settlement.

Details of stock grants linked to long-term performance as at December 31, 2019, are as follows:

*(In Korean won)*

| Series | Grant date | Number of granted shares[1] | Vesting conditions |
|---|---|---|---|
| Series 17-2 | 2017.03.25 | 2,559 | Service fulfillment, achievements of targets on the basis of market and non-market performance[2] |
| Series 18-1 | 2018.01.01 | 22,450 | Service fulfillment, achievements of targets on the basis of market and non-market performance[2] |
| Series 19-1 | 2018.01.01 | 22,392 | Service fulfillment, achievements of targets on the basis of market and non-market performance[2] |
| Series 19-2 | 2019.03.25 | 3,285 | Service fulfillment, achievements of targets on the basis of market and non-market performance[2] |
| Series 19-3 | 2019.04.01 | 2,152 | Service fulfillment, achievements of targets on the basis of market and non-market performance[2] |
| Deferred payment confirmed | - | 123 | Requirements fulfilled in 2014 |
| | - | 145 | Requirements fulfilled in 2015 |
| | - | 3,551 | Requirements fulfilled in 2016 |
| | - | 13,694 | Requirements fulfilled in 2017 |
| | - | 8,301 | Requirements fulfilled in 2018 |

[1] Total number of shares initially granted to directors unperformed as at December 31, 2019. (However, deferred payment confirmed shares represent the total unperformed number of shares as at December 31, 2019.)

[2] 20%, 30%, and 50% of the shares to be granted are determined based on the targeted relative TSR, the performance of the Group, and the targeted relative KPI, respectively.

Short-term performance-related stock grants as at December 31, 2019, are as follows:

| Series | Grant date | Estimated number of vested shares[1] | Vesting conditions |
|---|---|---|---|
| Stock grant in 2015 | 2015.01.01 | 8,451 | Requirements fulfilled |
| Stock grant in 2016 | 2016.01.01 | 16,653 | Requirements fulfilled |
| Stock grant in 2017 | 2017.01.01~ 2017.04.28 | 13,884 | Requirements fulfilled |
| Stock grant in 2018 | 2018.01.01 | 26,930 | In proportion to service period |

| | | | |
|---|---|---|---|
| Stock grant in 2019 | 2019.01.01 | 31,721 | In proportion to service period |

[1] Options of short-term performance-related pay which is determined in relation to the performance in the current period are given on deferred payment time (after retirement), percentage and period. According to this, certain proportion of granted shares are to be paid for maximum five years after retirement.

Stock grants given to directors are measured at fair value using Monte Carlo Simulation Model and assumptions used in determining the fair value as of December 31, 2019, are as follows:

*(In Korean won)*

| Series | Risk-free rate(%) | Fair value(Market performance condition) | Fair value(Non-market performance condition) |
|---|---|---|---|
| **Long-term performance-related type** | | | |
| 17-2 | 1.34 | 35,862 ~ 44,234 | 38,616 ~ 47,631 |
| 18-1 | 1.34 | 37,631 ~ 45,035 | 39,801 ~ 47,631 |
| 19-1 | 1.34 | 41,506 ~ 45,373 | 42,336 ~ 46,281 |
| 19-2 | 1.34 | 41,070 ~ 44,926 | 41,070 ~ 44,926 |
| 19-3 | 1.34 | 41,070 ~ 44,926 | 41,070 ~ 44,926 |
| FY2014 Deferred payment confirmed | 1.34 | - | 44,926 ~ 44,926 |
| FY2015 Deferred payment confirmed | 1.34 | - | 46,281 ~ 47,631 |
| FY2016 Deferred payment confirmed | 1.34 | - | 39,801 ~ 47,631 |
| FY2017 Deferred payment confirmed | 1.34 | - | 38,616 ~ 47,631 |
| FY2018 Deferred payment confirmed | 1.34 | - | 39,801 ~ 47,631 |
| **Short-term performance-related type** | | | |
| Granted in 2015 | 1.34 | - | 38,616 ~ 47,631 |
| Granted in 2016 | 1.34 | - | 38,616 ~ 47,631 |
| Granted in 2017 | 1.34 | - | 38,616 ~ 47,631 |
| Granted in 2018 | 1.34 | - | 38,616 ~ 47,631 |
| Granted in 2019 | 1.34 | - | 41,070 ~ 46,281 |

Meanwhile, the Group determined the fair value by using historical stock price volatility with the same period as the exercisable period for expected volatility and the current stock price of December 31, 2019, for the underlying asset price. Additionally, the average three-year historical dividend rate was used as expected dividend rate.

The Group recognized expense amounting to ₩ 2,449 million and ₩ 377 million as compensation cost for the years ended December 31, 2019 and 2018, respectively. The compensation cost amounting to ₩ 7,188 million and ₩ 6,291 million were recorded as long-term accrued expenses to KB Financial Group Inc. as at December 31, 2019 and 2018, respectively.

## 28. Other Non-operating Income and Expense

The details of other non-operating income and expense for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | 2018 |
|---|---|---|
| **Non-operating income** | | |
| Gain on sale of property and equipment | 3 | 20 |
| Rental income | 119 | 123 |
| Other non-operating incomes | 3,565 | 1,928 |
| | 3,687 | 2,071 |
| **Non-operating expense** | | |
| Loss on sale of property and equipment | 2 | 5 |
| Loss on sale of intangible assets | 1 | - |
| Impairment losses on Intangible assets | 1,079 | - |
| Donation | 5,466 | 17,867 |
| Other non-operating expenses | (6,223) | 17,261 |
| | 325 | 35,133 |
| **Net other non-operating income(expense)** | 3,362 | (33,062) |

## 29. Income Tax Expense

The details of income tax expense for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | 2018 |
|---|---|---|
| **Tax payable** | 98,823 | 58,652 |
| Current tax expense | 98,437 | 65,891 |
| Adjustments to the income tax expense for prior years | 386 | (7,239) |
| **Change in deferred income tax assets (liabilities) due to temporary differences** | (11,186) | 46,386 |
| **Income tax expense recognized directly in equity** | 3,679 | 6,453 |
| Change in value of financial assets measured at fair value through other comprehensive income | 285 | (685) |
| Cash flow hedges | 2,004 | 3,801 |
| Remeasurement of net defined benefit Liabilities | 1,390 | 3,337 |
| **Consolidated tax effect** | 3,876 | 5,739 |
| **Others** | (27,930) | 32,394 |
| **Income tax expense** | 67,262 | 149,624 |

The analyses of profit before income tax expense and income tax expense for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | 2018 |
|---|---|---|
| **Profit before income tax expense (A)** | 383,819 | 436,197 |
| Tax expense calculated by applied tax rate[1] | 95,188 | 113,977 |
| Non-taxable income | (3,484) | (830) |
| Non-taxable expense | 918 | 3,898 |
| Tax credit and tax exemption | (245) | (358) |
| Consolidated tax effect | 3,876 | 5,739 |
| Others | (28,991) | 27,198 |
| **Income tax expense (B)[2]** | 67,262 | 149,624 |
| **Effective tax rate (B/A)** | 17.52% | 34.30% |

[1] Applicable income tax rate for ₩ 200 million and below is 11%, over ₩ 200 million but not over ₩ 20 billion is 22%, and over ₩ 20 billion is 24.2% and over ₩300 billion is 27.5%, which is composed of corporate tax and local tax.

[2] As a result of claiming for tax rectification and reinvestigation, reversal for tax expense ₩ 28,695 million is included for the year ended December 31, 2019, and as a result of investigation for taxable income, increase for tax expense ₩ 29,990 million is included for the year ended December 31, 2018.

## 30. Cash Flow Information

Cash and cash equivalents as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Cash | 24 | 14 |
| Due from financial institutions | 235,677 | 395,213 |
| | 235,701 | 395,227 |
| Restricted due from financial institutions[1] | (71,106) | (77,862) |
| Due from financial institutions with original maturities over three months | (29,311) | (1,049) |
| | 135,284 | 316,316 |

[1] The amounts are composed of deposits restricted due from financial institutions(Note 7).

Significant non-cash activities for the years December 31, 2019 and 2018 are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Decrease in loans measured at amortized cost due to the wtite-offs | 518,615 | 474,301 |

Cash inflow and outflow due to income tax, interest and dividends for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Activities | 2019 | 2018 |
|---|---|---|---|
| Income tax received | Operating | 28,705 | - |
| Income tax paid | Operating | 89,443 | 136,619 |
| Interest received | Operating | 1,510,072 | 1,406,585 |
| Interest paid | Operating | 353,733 | 299,410 |
| Dividends received | Operating | 3,129 | 8,725 |
| Dividends paid | Financing | 200,008 | 180,044 |

Changes in liabilities arising from financing activities for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | | | Non-cash changes | | |
| | Beginning | Net cash flows | Changes in fair value | Other changes | Ending |
| Debts[1] | 620,126 | 508,310 | - | 715 | 1,129,151 |
| Debentures[2] | 13,077,353 | 1,729,534 | 6,528 | 11,826 | 14,825,241 |
| Others[3] | 49,097 | (13,510) | - | 10,273 | 45,860 |
| | 13,746,576 | 2,224,334 | 6,528 | 22,814 | 16,000,252 |

[1] The Group's subsidiary, KB Daehan Specialized Bank's Increase of debts excluding overdraft ₩69,025 million for the year ended December 31, 2019 is included.
[2] Amounts of derivatives held for hedging purposes are included.
[3] Beginning amount for 2019 includes adjustments from adoption of Korean IFRS 1116

*(In millions of Korean won)*

| | 2018 | | | | |
|---|---|---|---|---|---|
| | | | Non-cash changes | | |
| | Beginning | Net cash flows | Changes in fair value | Other changes | Ending |
| Debts | 436,806 | 183,320 | - | - | 620,126 |
| Debentures[1] | 11,112,592 | 1,936,434 | 16,447 | 11,880 | 13,077,353 |
| Others | 19,198 | 1,094 | - | 68 | 20,360 |
| | 11,568,596 | 2,120,848 | 16,447 | 11,948 | 13,717,839 |

[1] Amounts of derivatives held for hedging purposes are included.

## 31. Contingent Liabilities and Commitments

### 31.1 Guarantees

Loan commitments as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Credit line on credit cards | 60,829,265 | 54,642,869 |
| Finance lease commitment | 152,110 | 132,723 |
| Purchase of securities | 9,650 | 750 |
| Other | 533 | - |
| | 60,991,558 | 54,776,342 |

### 31.2 Other Matters (Litigation and others)

**Written off and uncollected receivables**

The Group manages written-off loans whose claims against the debtors remain because the statute of limitations has not closed or the loans have not collected since the written-off. The written-off loans as at December 31, 2019 and 2018 are ₩ 1,747,871 million and ₩ 2,023,059 million, respectively.

**Asset-Backed Securitization agreements**

For KB Kookmin Asset-Backed Security, which is trust-type ABS, trustee has a right to demand the Group to entrust additional assets to itself if the eligible securitized assets are below the eligible pool balance requirement. Pursuant to the Trust Agreement and other agreements, the Group has an obligation to early redeem the ABS, in cases that outstanding balance of the eligible securitized assets falls below the eligible pool balance requirement at each settlement period or the net yield of the securitized assets is less than certain level for three consecutive settlement periods. The Group provides Investor Interest distributed from the trust as collateral for the ABS. The Group has entered into the Servicing Agreement with Special Purpose Company (“SPC”) to provide asset management services for the securitized assets. Under the agreement, The Group provides various services such as billing, collection, and delinquency management.

**Lawsuits**

The Group faces 20 and 122 lawsuits as at December 31, 2019 and 2018, as the defendant (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩ 994 million and ₩ 7,302 million, respectively. The Group has filed 8 lawsuits as at December 31, 2019 and 2018, as the plaintiff (excluding minor lawsuits in relation to the collection or management of loans), involving aggregate damages of ₩ 34,861 million and ₩ 33,464 million as at December 31, 2019 and 2018, respectively.

**Joint obligation**

Kookmin Bank and the Group are jointly liable for the obligation of Kookmin Bank before spin-off.

**Trustee agreement**

The Group has entered into a trustee agreement with Kookmin Bank to provide credit card related services such as increasing credit cardholders and merchants. And the Group has entered into a trustee agreement with KB Life Insurance Co., Ltd. and KB Insurance Co., Ltd. to provide credit card related services such as increasing credit cardholders.

**Agreements with Banks**

As at December 31, 2019 and 2018, the Group has credit line commitments with a total of ₩ 1,060 billion and ₩ 990 billion with Kookmin Bank, Shinhan Bank, NongHyup Bank, Woori Bank and others, respectively. The Group has additionally entered into agreements with Kookmin Bank an overdraft of ₩ 800 billion. The Group has additionally entered into the following agreements: a credit line amounting to USD 77 million and USD 28 million with Kookmin Bank, etc. and an overdraft of USD 3 million and USD 5 million with Kookmin Bank as at December 31, 2019 and 2018, respectively, and settlement account with ₩ 1.3 trillion limit for credit card-related transaction settlement purposes.

**Others**

1) A computer contractor employed by the individual credit ratings firm developing a fraud detection system of the Group caused a widespread data breach in June 2013, resulting in the theft of the personal information of the customers of the Group. The Group received a notification from the Financial Services Commission that the Group was subject to a temporary three-month suspension of certain new operations on February 16, 2014. In relation to the case, the Group faces 11 and 113 lawsuits as at December 31, 2019 and 2018, respectively, as a defendant involving aggregate damages of ₩ 444 million and ₩ 6,906 million. The Group recognized ₩

2,549 million and ₩ 9,888 million as a provision for the cases as at December 31, 2019 and 2018, respectively. The Group may be involved in additional lawsuits, while the ultimate outcome of the cases cannot be reasonably estimated.

2) According to use of credit information and protection article 3 of amendment 43, the Group qualifies as the credit information Group that has to be joined in the insurance or mutual aid, or have reserve fund ready to take a necessary action. Therefore, the Group is currently under personal information protection liability insurance that has the insurance value of ₩ 5 billion.

3) The Group has signed a share purchase agreement to acquire 80% equity of PT. Finansia Multi Finance, a company operating in the finance services industry, located in Indonesia with USD 81,280,000, and paid USD 16,256,000 at December 2019. The Group also entered into a contract to acquire debentures issued by stockholders of PT. Finansia Multi Finance with USD 5,000,000. The debentures have a right to exchange for 5% of stocks.

## 32. Lease

### 32.1 Finance lease

Total lease investment and Net lease investment as of as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | |
|---|---|---|
| | **Total lease investment** | **Net lease investment** |
| Within 1 year | 53,124 | 47,321 |
| 1-5 years | 129,286 | 123,292 |
| Over 5 years | 94 | 93 |
| | 182,504 | 170,706 |

*(In millions of Korean won)*

| | 2018 | |
|---|---|---|
| | **Total lease investment** | **Present value of the minimum lease patments** |
| Within 1 year | 7,189 | 6,157 |
| 1-5 years | 22,591 | 21,120 |
| Over 5 years | - | - |
| | 29,780 | 27,277 |

Unearned interest income of finance lease as of December 31, 2018 is as follows:

*(In millions of Korean won)*

| | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Total lease investment | 182,504 | 29,780 |
| Net lease investment | 170,706 | 27,277 |
| Unrealized interest income | 11,798 | 2,503 |

[1] Financial gains from net lease investment are ₩ 4,352 million and ₩ 105 million for the years ended December 31, 2019 and 2018, respectively.

### 32.2 Operation lease

The future minimum lease income arising from the operation contracts as of December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 |
|---|---|
| Within 1 year | 25 |
| 1-5 years | 4 |
| Over 5 years | - |
| | 29 |

Also the lease when the group is lessee is disclosed Note 37.

## 33. Subsidiaries

The details of subsidiaries as at December 31, 2019 and 2018, are as follows:

| | Dec. 31, 2019 | | | |
|---|---|---|---|---|
| **Name of subsidiaries** | **Ownership interests(%)** | **Location** | **Reporting date** | **Industry** |
| KB Daehan Specialized Bank | 90.0 | Cambodia | December 31 | General loan, Installment financing of automobile, etc. |
| KB Kookmin Card 3rd Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| KB Kookmin Card 4th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| KB Kookmin Card 5th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| KB Kookmin Card 6th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| Heungkuk Life Insurance Money Market Trust | 100.0 | Korea | December 31 | Trust property management |

| | Dec. 31, 2018 | | | |
|---|---|---|---|---|
| **Name of subsidiaries** | **Ownership interests(%)** | **Location** | **Reporting date** | **Industry** |
| KB Daehan Specialized Bank | 90.0 | Cambodia | December 31 | General loan, Installment financing of automobile, etc. |
| KB Kookmin Card 3rd Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| KB Kookmin Card 4th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| KB Kookmin Card 5th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| Wise Mobile 18th Securitization Co., Ltd. | 0.5 | Korea | December 31 | Asset-backed securitization |
| Heungkuk Life Insurance Money Market Trust | 100.0 | Korea | December 31 | Trust property management |

### Overview of Subsidiaries

The condensed financial information of subsidiaries as at December 31, 2019 and 2018, and for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| **Name of subsidiaries** | **Assets** | **Liabilities** | **Equity** | **Profit (loss) for the year** | **Comprehensive income (loss)** |
| KB Daehan Specialized Bank | 144,317 | 93,169 | 51,148 | 107 | 65 |
| KB Kookmin Card 3rd Securitization Co., Ltd.[1] | 351,095 | 351,326 | (231) | 1,024 | 579 |
| KB Kookmin Card 4th Securitization Co., Ltd.[1] | 344,853 | 347,513 | (2,660) | 1,417 | 880 |
| KB Kookmin Card 5th Securitization Co., Ltd.[1] | 299,954 | 299,954 | - | - | - |
| KB Kookmin Card 6th Securitization Co., Ltd.[1] | 470,479 | 470,422 | 57 | (1,095) | 57 |
| Wise Mobile 18th Securitization Co., Ltd.[2] | - | - | - | - | - |
| Heungkuk Life Insurance Money Market Trust | 13,625 | 14,560 | (935) | 1,061 | 366 |

*(In millions of Korean won)*

| | 2018 | | | | |
|---|---|---|---|---|---|
| **Name of subsidiaries** | **Assets** | **Liabilities** | **Equity** | **Profit (loss) for the year** | **Comprehensive income (loss)** |
| KB Daehan Specialized Bank | 42,956 | 20,905 | 22,051 | (255) | (326) |
| KB Kookmin Card 2nd Securitization Co., Ltd.[1] | - | - | - | 1,430 | 48 |
| KB Kookmin Card 3rd Securitization Co., Ltd.[1] | 341,040 | 341,850 | (810) | 844 | (2,647) |
| KB Kookmin Card 4th | 337,570 | 341,110 | (3,540) | - | (3,110) |

| | | | | | |
|---|---|---|---|---|---|
| Securitization Co., Ltd.[1] | | | | | |
| KB Kookmin Card 5th Securitization Co., Ltd.[1] | 299,816 | 299,816 | - | - | - |
| Wise Mobile 13th Securitization Co., Ltd.[2] | - | - | - | 2,981 | 2,981 |
| Wise Mobile 14th Securitization Co., Ltd.[2] | - | - | - | 4,516 | 4,516 |
| Wise Mobile 15th Securitization Co., Ltd.[2] | - | - | - | 3,938 | 3,938 |
| Wise Mobile 16th Securitization Co., Ltd.[2] | - | - | - | 3,861 | 3,861 |
| Wise Mobile 17th Securitization Co., Ltd.[2] | - | - | - | 3,556 | 3,556 |
| Wise Mobile 18th Securitization Co., Ltd.[2] | - | - | - | 2,833 | 2,833 |
| Heungkuk Life Insurance Money Market Trust | 31,713 | 33,014 | (1,301) | 474 | 562 |

[1] In accordance with Korean IFRS 1110, the Group is exposed, or has right to variable returns and has the ability to affect those returns through its power over investees due to a trust agreement. Therefore, the investees are classified as subsidiaries.

[2] In accordance with Korean IFRS 1110, the Group is exposed, or has right to variable returns and has the ability to affect those returns through its power over investees due to subordinated debts and etc. Therefore, the investees are classified as subsidiaries.

### Changes in Subsidiaries

KB Kookmin Card 6th Securitization Co., Ltd was included in the consolidation scope and WiseMobile 18th Securitization Co., Ltd. was excluded from the consolidation scope due to liquidation during the years ended December 31, 2019.

## 34. Unconsolidated Structured Entities

As at December 31, 2019 and 2018, the nature, purpose and activities of the unconsolidated structured entities and how the structured entities are financed, are as follows:

*(In millions of Korean won)*

| Nature | Entity | Purpose | Activities | Methods of Financing | Asset size Dec. 31, 2019 | Asset size Dec. 31, 2018 | Carrying amount | Maximum exposure |
|---|---|---|---|---|---|---|---|---|
| Asset-backed securitization | Hanmaeum Badbank[1] | - Credit recovery of individual debtors<br>- Enhancement of financial stability of assets through effective settlement of bad debts | - Loans for individual debtors listed as credit delinquents by financial institutions under 'Agreement on Establishment & Operation of Badbanks'<br>- Collection of loans<br>- Borrowings | - Borrowings from Smile Micro Bank | 5,711 | 5,998 | - | - |
| | Heemang moah Securitization Co., Ltd[2] | | - Long-term card loan (credit card loans), securitized assets for individual debtors listed as credit delinquents by financial institutions under 'Agreement on Establishment & Operation of Badbanks' and transfer, management, operation, disposal of rights according to the act of securitization<br>- Issuance and redemption of investor trust certificate related to securitized assets<br>- Temporary borrowings for redemption of investor trust certificate | - Issuance of investor trust certificate based on securitized assets | 280,758 | 104,568 | - | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Fund | KB Global Platform Fund and etc.[3] | - Investments in beneficiary certificates<br>- Investments in PEFs and partnerships | - Management of fund assets<br>- Payment of fund fees and allocation of fund profits | - Sales of beneficiary certificate instruments<br>- Investment of managing partners and limited partners | 93,817 | - | 7,631 | 17,281 |

[1] The asset size of Hanmaeum Badbank is based on the carrying amounts in the financial statements as at March 31, 2019 and December 31, 2018, respectively.

[2] The asset size of Heemangmoah Securitization Co., Ltd is based on the carrying amounts in the financial statements as at December 31, 2018 and December 31, 2017, respectively.

[3]The asset size of KB Global Platform and etc. is based on the carrying amounts in the financial statements as at December 31, 2019. Maximum Exposure consist of sum of carrying amount(financial asset measured at fair value through profit and loss) and Purchase Agreement of securities.

## 35. Related Party Transactions

Significant related party transactions for the years ended December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Interest income** | **Fees and commissions received on loans** | **Other income** | **Provision (Reversal) for credit losses** | **Interest expense** | **Fees and commissions paid on loans** | **Other expenses[1]** |
| Parent | KB Financial Group Inc. | - | - | 1,042 | - | - | - | 6 |
| Other related parties | Kookmin Bank | 1,343 | 59 | 2,015 | 5 | 4,676 | 206,505 | 7,217 |
| | KB Securities Co., Ltd. | - | 4 | 881 | - | 55 | 75 | - |
| | KB Insurance Co., Ltd. | 2 | 12,732 | 5,550 | (1) | 2 | 709 | 4,125 |
| | KB Life Insurance Co., Ltd. | - | 1,197 | 6,299 | - | - | 15 | - |
| | KB Asset Management Co., Ltd. | - | - | - | 1 | - | - | 4 |
| | KB Capital Co., Ltd. | - | - | 241 | 2 | - | 37 | 3,919 |
| | KB Savings Bank Co., Ltd. | - | - | 99 | - | - | 24 | - |
| | KB Real Estate Trust Co., Ltd. | - | - | - | 1 | - | - | 2 |
| | KB Investment Co., Ltd. | - | - | - | - | - | - | - |
| | KB Credit Information Co., Ltd. | - | - | - | - | - | 15,008 | - |
| | KB Data Systems Co., Ltd. | - | - | - | - | - | 1,151 | 20,645 |
| | Others | - | 30 | 1,026 | 5 | - | - | 921 |
| Associates | KB KOLAO LEASING Co., Ltd. | - | - | - | - | - | - | - |
| | Big Dipper Inc. | - | - | - | - | - | - | - |
| Key management | | - | - | - | - | - | - | - |
| | | 1,345 | 14,022 | 17,153 | 13 | 4,733 | 223,524 | 36,839 |

[1] Property and equipment and intangible assets acquired from KB Data Systems Co., Ltd. amounting to ₩11,138 million are included.

The Group acquired installment financial loans, etc. amounting to ₩ 624,521 million from SY Auto Capital Co., Ltd, an associate of KB Capital Co., Ltd for the year ended December 31, 2019.

*(In millions of Korean won)*

| | | Dec. 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Interest income | Fees and commissions received on loans | Other income | Provision for credit losses | Interest expense | Fees and commissions paid on loans | Other expenses[1] |
| Parent | KB Financial Group Inc. | - | - | 970 | (1) | - | - | 5 |
| Other related parties | Kookmin Bank | 1,354 | 81 | 1,756 | - | 3,884 | 205,122 | 9,550 |
| | KB Securities Co., Ltd. | - | 2 | 302 | (2) | 171 | 82 | 107 |
| | KB Insurance Co., Ltd. | - | 11,435 | 2,226 | (8) | - | - | 5,906 |
| | KB Life Insurance Co., Ltd. | - | 1,236 | 6,291 | (1) | - | - | 16 |
| | KB Asset Management Co., Ltd. | - | - | - | - | - | - | 2 |
| | KB Capital Co., Ltd. | - | - | 138 | (9) | - | - | 2,971 |
| | KB Savings Bank Co., Ltd. | - | - | 74 | 1 | - | - | 26 |
| | KB Real Estate Trust Co., Ltd. | - | - | - | (269) | - | - | 1 |
| | KB Investment Co., Ltd. | - | - | - | 1 | - | - | - |
| | KB Credit Information Co., Ltd. | - | - | - | (1) | - | 15,562 | 229 |
| | KB Data Systems Co., Ltd. | - | - | - | (1) | - | 2,292 | 18,257 |
| | Others | - | 33 | 1,157 | (7) | - | - | 864 |
| Associates | Inno Lending Lab Inc. | - | - | - | - | - | - | - |
| | KB KOLAO LEASING Co., Ltd. | - | - | - | (2) | - | - | - |
| | Big Dipper Inc. | - | - | - | - | - | - | - |
| Key management | | - | - | - | - | - | - | - |
| | | 1,354 | 12,787 | 12,914 | (299) | 4,055 | 223,058 | 37,934 |

[1] Property and equipment and intangible assets acquired from KB Data Systems Co., Ltd. amounting to ₩2,684 million for the years ended December 31, 2018 are included.

The Group acquired installment financial loans, etc. amounting to ₩ 404,862 million from SY Auto Capital Co., Ltd, associate of KB Capital Co., Ltd for the year ended December 31, 2018.

The details of receivables and payables, and allowances for credit losses arising from the related party transactions as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | | Dec. 31, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cash and due from financial insti-tutions | Loans | Other receivables | Allowances for Credit losses | Debentures | Accounts payable | Other liabilities | Unused loan commit-ments |
| Parent | KB Financial Group Inc. | - | 745 | 649 | - | - | 53,516 | 7,189 | 2,255 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Other related parties | Kookmin Bank | 74,801 | 19,694 | 39,356 | 8 | - | - | 52,104 | 86,400 |
| | KB Securities Co., Ltd. | - | 6,449 | 651 | 1 | - | - | 106 | 8,101 |
| | KB Insurance Co., Ltd. | - | 7,137 | 2,387 | 4 | - | - | 12,771 | 20,344 |
| | KB Life Insurance Co., Ltd. | - | 442 | 483 | 1 | - | - | 28 | 1,058 |
| | KB Asset Management Co. Ltd. | - | 366 | - | 2 | - | - | - | 234 |
| | KB Capital Co., Ltd. | - | 4,075 | 13 | 6 | - | - | - | 43,925 |
| | KB Savings Bank Co., Ltd. | - | 100 | 20 | 1 | - | - | 9 | 200 |
| | KB Real Estate Trust Co., Ltd. | - | 265 | - | 1 | - | - | - | 402 |
| | KB Investment Co., Ltd. | - | 174 | 5,850 | 1 | - | - | - | 261 |
| | KB Credit Information Co., Ltd | - | 66 | - | - | - | - | 1,429 | 484 |
| | KB Data Systems Co., Ltd. | - | 165 | 15 | - | - | - | 2,308 | 635 |
| | Others | - | 171 | - | 6 | - | - | 1 | 914 |
| Associates | KB KOLAO LEASING Co., Ltd. | - | - | - | - | - | - | - | - |
| | Big Dipper Inc. | - | 11 | - | - | - | - | - | 89 |
| Key management | | - | 66 | - | - | - | - | - | 440 |
| | | 74,801 | 39,926 | 49,424 | 31 | - | 53,516 | 75,945 | 165,742 |

*(In millions of Korean won)*

| | | Dec. 31, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Cash and due from financial institutions** | **Loans** | **Other receivables** | **Allowances for Credit losses** | **Debentures** | **Accounts payable** | **Other liabilities** | **Unused loan commitments** |
| Parent | KB Financial Group Inc. | - | 664 | - | - | - | 72,995 | 6,259 | 1,336 |
| Other related parties | Kookmin Bank | 84,089 | 16,157 | 45,885 | 3 | - | - | 70,443 | 87,922 |
| | KB Securities Co., Ltd. | - | 4,451 | 35 | 1 | - | - | 15 | 8,549 |
| | KB Insurance Co., Ltd. | - | 6,294 | 2,721 | 5 | - | - | 11,952 | 20,656 |
| | KB Life Insurance Co., Ltd. | - | 416 | 412 | 1 | - | - | 1,801 | 1,084 |
| | KB Asset Management Co., Ltd. | - | 355 | - | 1 | - | - | - | 245 |
| | KB Capital Co., Ltd. | - | 5,033 | 4 | 4 | - | - | 4 | 32,967 |
| | KB Savings Bank Co., Ltd. | - | 88 | - | 1 | - | - | 12 | 212 |
| | KB Real Estate Trust Co., Ltd. | - | 242 | - | - | - | - | - | 425 |
| | KB Investment Co., Ltd. | - | 82 | - | 1 | - | - | - | 353 |
| | KB Credit Information Co., | - | 62 | - | - | - | - | 1,170 | 488 |
| | KB Data Systems Co., Ltd. | - | 102 | 1,294 | - | - | - | 1,519 | 498 |
| | Others | - | 87 | - | 1 | - | - | 44 | 341 |
| Associates | KB KOLAO LEASING Co., Ltd. | - | - | - | - | - | - | - | - |
| | Big Dipper Inc. | - | 5 | - | - | - | - | - | 95 |
| Key management | | - | 43 | - | - | - | - | - | 293 |
| | | 84,089 | 34,081 | 50,351 | 18 | - | 72,995 | 93,219 | 155,464 |

Commitments provided by a related party as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| Kookmin Bank | Debt commitments in Korean won[1] | 820,000 | 820,000 |
| | Debt commitments in foreign currencies[2] | 23,156 | 8,945 |
| | Derivatives commitments | 44,472 | 62,611 |

| | | |
|---|---|---|
| Other commitments in Korean won | 1,300,000 | 1,300,000 |

[1] According to the commitment with Kookmin Bank, no debts are recognized as at December 31, 2019 and 2018.

[2] ₩ 19,683 million and ₩ 3,354 million of debt is recognized as at December 31, 2019 and 2018 according to the debt commitments in foreign currencies with Kookmin Bank

The details of assets pledged as collaterals to the related party as at December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | | Dec. 31, 2019 | | |
|---|---|---|---|---|
| | | **Amount** | **Maturity date** | |
| Kookmin Bank | Time deposits | 22,000 | Dec. 18, 2020 | Debt commitments (₩ 20 billion) |

*(In millions of Korean won)*

| | | Dec. 31, 2018 | | |
|---|---|---|---|---|
| | | **Amount** | **Maturity date** | |
| Kookmin Bank | Time deposits | 22,000 | Dec. 20, 2019 | Debt commitments (₩ 20 billion) |

The Group has entered into an investment agreement amounting to ₩1,000 million with KB Digital Innovation Investment Fund Limited Partnership, which is a subsidiary of KB Securities Co., Ltd., and ₩ 500 million remains unexecuted as at December 31, 2019 and 2018. Also The Group has entered into an investment agreement amounting to ₩15,000 million with KB Global Flatform Fund, which is a subsidiary of KB Investment Co., Ltd., and ₩ 9,150million remains unexecuted as at December 31, 2019. And the loss shall be firstly appropriated by KB Investment Co.,Ltd. within 5 percent range of the total investment in the order of priority according to the commitment.

Types and amounts of benefits compensated to key management for the years ended December 31, 2019 and 2018, are as follows:

| *(In millions of Korean won)* | 2019 | | | |
|---|---|---|---|---|
| | **Short-term employee benefits** | **Benefits payment** | **Share-based payments** | **Total** |
| Registered director (executive) | 652 | 115 | 665 | 1,432 |
| Registered director (non-executive) | 182 | - | - | 182 |
| Non-registered director | 3,132 | 604 | 1,784 | 5,520 |
| | 3,966 | 719 | 2,449 | 7,134 |

| *(In millions of Korean won)* | 2018 | | | |
|---|---|---|---|---|
| | Short-term employee benefits | Benefits payment | Share-based payments | Total |
| Registered director (executive) | 709 | 62 | 20 | 791 |
| Registered director (non-executive) | 190 | - | - | 190 |
| Non-registered director | 2,784 | 571 | 357 | 3,712 |
| | 3,683 | 633 | 377 | 4,693 |

Lending and borrowing with related party for the years ended December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Borrowing | | | Lending | | | | |
| | | Borrowed | Reimbursed | Others | Lent | Repayed | Repayment of lease liability | Contribution in cash | Distribution of dividend |
| Parent | KB Financial Group Inc. | - | - | - | - | - | - | - | 200,008 |
| Other related parties | Kookmin Bank | 22,000 | 22,000 | (9,288) | 264,316 | 248,107 | 75 | - | - |
| | KB Insurance Co., Ltd. | - | - | - | - | - | 116 | - | - |
| | Others | - | - | - | - | - | - | 6,100 | - |

*(In millions of Korean won)*

| | | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Borrowing | | | Lending | | | |
| | | Borrowed | Reimbursed | Others | Lent | Repayed | Contribution in cash | Distribution of dividend |
| Parent | KB Financial Group Inc. | - | - | - | - | - | - | 180,044 |
| Other related parties | Kookmin Bank | 22,000 | 22,000 | (1,002) | 169,902 | 173,354 | - | - |
| | Others | - | - | - | - | - | 250 | - |

As disclosed in Note 31, the Group has entered into a funds settlement agreement with Kookmin Bank at ₩ 1.3 trillion credit. Funds are settled with Kookmin Bank on every business day in accordance with this agreement.

The amount of debenture issued by the Group that KB Securities Co., Ltd. acquired are ₩ 110,000 million and ₩ 360,000 million for the years December 31, 2019 and 2018, respectively.

The Group entered into commitment guarantee insurance contracts for debt cancellation & debt suspension(DCDS) as of December 31, 2019 and 2018, and KB Insurance Co., Ltd. has acquired the commitment guarantee insurance contracts partially.

## 36. Current and Non-Current Classifications

The significant assets and liabilities classified based on liquidity as of December 31, 2019 and 2018, are as follows:

*(In millions of Korean won)*

| | 2019 | | |
|---|---|---|---|
| | **Current** | **Non-current** | **Total** |
| Cash and due from financial institutions[1] | 204,598 | 1,089 | 205,687 |
| Financial assets measured at Fair value through profit or loss | 563,677 | 9,531 | 573,208 |
| Derivative financial assets[2] | 11,528 | 7,257 | 18,785 |
| Loans measured at amortised cost[1] | 16,876,893 | 5,156,083 | 22,032,976 |
| Financial investments | - | 76,651 | 76,651 |
| Investments in associates and subsidiaries | - | 4,623 | 4,623 |
| Property and equipment | - | 147,163 | 147,163 |
| Intangible assets | - | 188,818 | 188,818 |
| Deferred income tax assets | - | 118,984 | 118,984 |
| Debts | 972,418 | 156,733 | 1,129,151 |
| Derivative financial liabilities[2] | 668 | 30,314 | 30,982 |
| Debentures | 3,153,815 | 11,659,641 | 14,813,456 |

*(In millions of Korean won)*

| | 2018 | | |
|---|---|---|---|
| | **Current** | **Non-current** | **Total** |
| Cash and due from financial institutions[1] | 204,923 | 14 | 204,937 |
| Financial assets measured at Fair value through profit or loss | 680,879 | 1,563 | 682,442 |
| Derivative financial assets[2] | 521 | 1,344 | 1,865 |
| Loans measured at amortised cost[1] | 15,369,658 | 4,166,469 | 19,536,127 |
| Financial investments | - | 74,619 | 74,619 |
| Investments in associates and subsidiaries | - | 3,606 | 3,606 |
| Property and equipment | - | 130,862 | 130,862 |
| Intangible assets | - | 85,214 | 85,214 |
| Deferred income tax assets | - | 107,798 | 107,798 |
| Debts | 500,000 | 120,126 | 620,126 |
| Derivative financial liabilities[2] | - | 24,713 | 24,713 |
| Debentures | 2,639,502 | 10,414,094 | 13,053,596 |

[1] Those accounts are presented gross of allowances.

[2] Derivative assets/liabilities classified by the remaining contractual maturities.

## 37. Changes in accounting policies-Implementation of Korean IFRS 1116 Leases

The Group applied Korean IFRS 1116 retrospectively as of January 1, 2019. However, the financial statements for the year ended 2018 was not restated using the method allowed by transitional provisons. Therefore reclassification and adjustments under the new IFRS were recognized in the financial statements beginning on January 1, 2019.

A lessee shall apply this standard to its leases either:

- retrospectively to each prior reporting period presented applying Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* (Full retrospective application); or
- retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Group applied Korean IFRS 1116 retrospectively with recognizing the cumulative effect of initial adoption of the standard as of January 1, 2019. The Group did not restate any comparative financial statements.

For leases previously classified as 'finance leases', the Group recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of Korean IFRS 1116 are only applied after that date. The remeasurement to the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application. The amount of the right-of-use asset and the lease liability have increased in the amounts of ₩ 38,560 million and ₩ 31,793 million, respectively at the date of initial application; January 1, 2019. The amount of lease liabilities as at January 1, 2019 is as follows:

*(In millions of Korean won)*

| | January 1, 2019 |
|---|---|
| Lease liability | |
| Operating lease commitments disclosed at December 31, 2018 | 31,032 |
| Discounted amount using the lessee's incremental borrowing rate[1] at the date of initial application | 29,696 |
| Add : Financial leased liability recognized at December 31, 2018 | 2,097 |
| Lease liability recognized as of the date of initial application | 31,793 |

[1]The incremental borrowing rate is 1.92%~4.12%.

The difference between the amount of the right-of-use asset and the lease liability is adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

### The amounts recognized in statement of financial position

The amount related to lease recognized in statement of financial position as of December 31, 2019 is as follows:

*(In millions of Korean won)*

| | **December 31, 2019** |
|---|---|
| Right-of-use property and equipment [1] | |
| Real estate | 25,488 |
| Equipment and furniture | - |
| Vehicles | 571 |
| Software | 47 |
| | 26,106 |
| Lease liabilities | 26,633 |

[1] It is included in property and equipment and intangible assets of financial statements.

The amount of the right-of-use asset increases ₩ 9,270 million for the year ended December 31, 2019.

**The amounts recognized in statement of profit or loss**

The amount related to lease recognized in statement of profit or loss for the years ended December 31, 2019 is as follows:

*(In millions of Korean won)*

| | 2019 |
|---|---|
| Depreciation and amortization of right-of-use assets | |
| Real estate | 12,333 |
| Equipment and furniture | 898 |
| Vehicles | 1,222 |
| Software | 3,374 |
| | 17,827 |
| Interest expense on the lease liability(Included in finance charges) | 693 |
| Short-term lease payments (Included in administrative expenses) | - |
| Payments for leases of low-value assets different from short-term leases (Included in administrative expenses) | 86 |

The total cash out flow of lease is ₩ 14,042 million for the year ended December 31, 2019.

Remaining contractual maturity and the amount of lease liabilities as of December 31, 2019 are as follows:

*(In millions of Korean won)*

| | Remaining contractual maturity | | | | | | |
|---|---|---|---|---|---|---|---|
| | On demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| lease liabilities | - | 1,156 | 1,575 | 7,677 | 16,757 | 264 | 27,429 |

Lease when the group is lessee as of December 31, 2018 are as follows:

**(a) Use of Finance lease as of December 31, 2018**

Lessee of finance lease

Net carrying amount of finance lease assets and future minimum lease payment as of December 31, 2018 are as follow:

*(In millions of Korean won)*

| | December 31, 2018 |
|---|---|
| **Net carrying amount of finance lease assets** | 7,921 |
| **Minimum lease payment** | 2,150 |
| Up to 1 year | 1,002 |
| 1-5 years | 1,148 |
| **Present value of minimum lease payment** | 2,097 |
| Up to 1 year | 989 |
| 1-5 years | 1,108 |

**(b) Use of operation lease as of December 31, 2018**

The minimum amount of lease payment expected in the future on the a non-cancellable lease agreement as of December 31, 2018 is as follow:

*(In millions of Korean won)*

| | December 31, 2018 |
|---|---|
| **minimum lease payment** | 37,453 |
| Up to 1 year | 11,509 |
| 1-5 years | 25,944 |
| over 5 years | - |

Lease fee reflected on profit or loss in 2018 is as follow:

*(In millions of Korean won)*

| | 2018 |
|---|---|
| **minimum lease payment** | 7,728 |

## 38. Approval of Issuance of the Financial Statements

The issuance of the Group's consolidated financial statements as of and for the year ended December 31, 2019, was approved by the Board of Directors on February 4, 2020.

APPENDIX A.
GSS FINANCING FRAMEWORK

KB Kookmin Card

# GREEN, SOCIAL AND SUSTAINABILITY FINANCING FRAMEWORK

April 2021

## 1. Background

### Overview of KB Kookmin Card

Established in 2011, KB Kookmin Card Co., Ltd ("the Company") is one of Korea's leading credit card companies and a subsidiary of KB Financial Group Inc., one of leading financial groups in Korea.

The Company serves more than 20 million customers through 26 branches and 13 sales offices in Korea, as well as 2 overseas subsidiary (Cambodia and Indonesia). The Company provides a broad range of financial services including credit card and check card services and installment financing. Notably, the Company ranked top 2 within the industry in terms of credit card and check card approval amount in 2020, and was also nominated as the most reliable credit card company selected by customers in the same year. To secure future growth drivers, the Company is expanding its market position in the auto installment and lease financing and mid-range interest rate loan sectors while accelerating its global business operations to tap into new sources of profit from multiple angles.

As a tech-fin business enabled by big data and digital technology, the Company aims to set the trend of the future payment market by focusing on digital and data business to develop new payment systems and continuously strengthen data analytics and application. Ultimately, the Company aims to become a lifelong financial group by leading innovation that shift the financial paradigm with its best professionals.

### KB Card's Sustainability Business Strategy

In line with KB Financial Group's mission to make the world a better place through finance, the Company is committed to bring positive impact on environment, society and the global economy through various activities.

Since 2011, the Company has participated in the 'Green Credit Card' project organized by the Ministry of Environment ("ME"), which encourage consumers to make low-carbon lifestyle choices by providing tangible economic rewards. The Company is also cooperating with the ME and electric vehicle platforms to expand the usage of eco-friendly vehicles. In 2017, the Company obtained ISO 14001 certification issued by the International Organization for Standardization Technical Committee and has been at the forefront to minimize environmental impact and promote sustainable development.

In addition to its environmental efforts, the Company is committed to supporting the local community and has established 'Special Financial Support Scheme' to reassure livelihood stability for customers who were affected by natural disaster. To increase accessibility to banking services for customers with visual or hearing impairments, the Group also implemented sign language consultation, Braille credit card and biometric verification technologies in its operations. Moreover, the Company plans to introduce services that will relieve the franchise commission fee burden for small merchants, in line with the FSC's designation of 'credit card reward points service' as part of its 'Innovative Financial Services' scheme.

Going forward, the Company is devoted to continue its social responsibility as a financial institution and reinforce its value as a sustainable business by supporting the healthy development of the environment, society and the economy

## 2. KB Kookmin Card's Green, Social and Sustainability Financing Framework

KB Kookmin Card intends to issue a series of Green, Social and Sustainability Financial Instruments ("GSS Financial Instruments") to fulfill its economic, environmental and social responsibilities. The Company developed Green, Social and Sustainability Financing Framework ("Framework") to facilitate transparency, disclosure, integrity and quality in the Company's GSS Financial Instruments for interested investors and stakeholders.

Financing may include bonds, loans and other debt-like financing structures that contribute to sustainable development by earmarking the proceeds for projects and expenditures that fall within the Eligible Project Categories (as described below).

The Framework has been developed to address the four key pillars of the ICMA Green Bond Principles ("GBP") 2018, Social Bond Principles ("SBP") 2020, and the Sustainability Bond Guidelines ("SBG") 2018, as well as the LMA/APLMA/LSTA Green Loan Principles 2021 ("GLP"):

1. Use of Proceeds
2. Projects Evaluation and Selection
3. Management of Proceeds
4. Reporting

The Framework also covers External Review, and the Framework may be subsequently revised or updated as the sustainable finance market continues to evolve.

### 2.1 Use of Proceeds

An amount equal to the net proceeds of KB Kookmin Card's GSS Financial Instruments will be used to finance and/or refinance, in whole or in part, new or existing projects ("Eligible Projects") from any of the Eligible Project Categories as defined below. Eligible products include new loans, and refinancing of existing loans that have been issued within 36 months prior to the date of issuance of the bond.

The net proceeds or an amount equal to the net proceeds of a GSS Financial Instruments issued under the Framework will be allocated to projects or lending that fall under the Green Eligible Categories set forth in Section 2.1.1 below or the Social Eligible Categories set forth in Section 2.1.2 below, respectively.

*2.1.1 Green Eligible Categories*

| Eligible Project Categories | Eligible Criteria | Example / Eligible Projects | UN SDGs |
|---|---|---|---|
| Energy Efficiency | Industry that promotes energy savings and increases efficiency of energy use by effectively distributing, utilizing, and managing the energy generated through the application of IT technology and new materials | • Development of energy management or electricity saving system including smart meter and smart grid<br>• Energy storage system (ESS) for renewable energy generated at the company site or direct investment in companies that produce ESS facilities for renewable energy | 7. Affordable and clean energy |
| Clean transportation | Transportation systems that have little or no carbon emissions and related equipment, technology and infrastructure | • Financing or infrastructure for hydrogen vehicles, electric vehicles and select plug-in hybrids or low emitting hybrids[1]<br>• Infrastructure maintenance for payment of electric subway transport and/or electricity or hydrogen charging by credit card holders | 11. Sustainable cities and communities |
| Green Building | Construction or renovation of buildings and application of processes that are environmentally responsible and resource-efficient throughout the buildings life-cycle | • Green buildings that meet recognized Green Building Standards: LEED Gold and above, BREEAM Excellent and above, Korean Building Energy Efficiency Certification 1++ or above, Green Standard for Energy and Environmental Design (G-SEED) 'Green 2' or above, and other equivalent internationally and/or nationally recognized certifications | 9. Industry, innovation and infrastructure |

[1] Low emitting hybrids with emission below 75g CO2/km [Sustainalytics to confirm]

*2.1.2 Social Eligible Categories*

| Eligible Categories | Eligible Projects | UN SDGs |
|---|---|---|
| Employment generation | • Expenditures related to financing provided to small and medium-sized enterprises[2] (including start-ups and venture companies[3]) which are:<br>- Affected by socioeconomic crises or natural disasters<br>- Led by women or individuals with disabilities or impairments<br>- In regions with above national average unemployment rate; or<br>- In regions with below national average income levels | 8. Decent work and economic growth |
| Socioeconomic advancement and empowerment | • Loans to social enterprises[4,5]<br>• Loans to social enterprises that do not meet all requirements in the Act, but are certified by the central or regional governments<br>• Financial support or micro-finance/loans to small and medium-sized merchants[2,6], low-income population with low Credit Bureau Score[7]<br>• Mid-interest rate loan to customers with weak credit profile in accordance to governmental policy<br>• Credit card bills and loan maturity extension for small and medium-sized enterprises[2] and low-income individuals[7] affected by socioeconomic crises or natural disasters[8] | 1. No poverty<br><br>8. Decent work and economic growth |

2 Small and medium-sized enterprises/merchants are defined as those with annual revenue below KRW 3bn.

3 Start-ups and venture companies defined in Act on Special Measure for the Promotion of Venture Businesses and the Article 2 of the Enforcement Decree of the Framework Act on Small and Medium Enterprises. Full article can be found from this website: https://law.go.kr/LSW/eng/engLsSc.do?menuId=2&section=lawNm&query=ACT+ON+SPECIAL+MEASURES+FOR+THE+PROMOTION+OF+VENTURE+BUSINESSES&x=0&y=0

4 Social enterprises are defined in the Article 2 of the Social Enterprise Promotion Act. Full article can be found from this website: https://law.go.kr/LSW/eng/engLsSc.do?menuId=2&section=lawNm&query=SOCIAL+ENTERPRISE+PROMOTION+ACT&x=0&y=0

5 Scale of a social enterprise should fall below the threshold stated in the Enforcement Decree of the Framework Act on Small and Medium Enterprises. Further details are defined in the Article 3 of the Enforcement Decree of the Framework Act on Small and Medium Enterprises (Social enterprises with annual revenue below KRW 60bn are also included in the definition of Small and Medium Enterprises). Full article can be found from this website: https://law.go.kr/LSW/eng/engLsSc.do?menuId=2&section=lawNm&query=FRAMEWORK+ACT+ON+SMALL+AND+MEDIUM+ENTERPRISES+&x=0&y=0

6 Target population includes those defined in employment generation category

7 Criteria for individuals eligible for Sunshine Loan applicants set by Korea Inclusive Finance Agency: Income less than KRW35mn or income less than KRW45mn with low credit score (Credit score below 20th percentile which correspond to score of 744 by NICE or 700 by KCB as of 2021)

8 Issuer will request for documents to verify reduction in revenue, profit and/or income due to natural disasters such as COVID19.

*2.1.3 Exclusionary Criteria*

The following industries and/or activities are excluded from consideration for eligibility:

- Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage, golf course services);
- Child labour;
- Forced labour
- Adult entertainment;
- Weapon;
- Alcohol;
- Tobacco;
- Fossil fuel (e.g. production, distribution, remediation and associated energy efficiency technologies); and
- Nuclear power

## 2.2 Project Evaluation and Selection

The Project Evaluation and Selection Process is a key process in ensuring that the net proceeds raised by the KB Kookmin Card's GSS Financial Instruments are allocated to projects and assets which meet the eligibility criteria as defined in Section 2.1.

Potentially eligible projects for the use of net proceeds of each financial instrument issued under the Framework will first be identified and proposed by the Company's business units. These projects will need to meet all investment and lending criteria established by the Company for lending in the ordinary course of its business.

KB established a dedicated Green, Social and Sustainability Financial Instruments Working Group ("GSSFIWG") that will assess the environmental and social impact of potential eligible projects by screening customer information against the Eligible Use of Proceeds set forth in Section 2.1, and will make recommendation for inclusion as Eligible Use of Proceeds. GSSFIWG is made up of representatives from the follow teams / departments:

- Strategic Planning Department
- Financial Planning Department / Treasury & Accounting Department
- Risk Management Department / Credit Planning Department
- Retail Business Promotion Department / Card Financial Service Department / Life Biz Department

Above mentioned team / departments are subject to changes in case of internal restructuring.

Annually, the GSSFIWG will review the allocation of the GSS Financial Instruments proceeds to the Eligible Projects and determine if any changes are necessary. The GSSFIWG will ensure that all projects included under the Eligible Use of Proceeds still align with the Eligible Criteria or determine if replacement / deletion / additions are necessary.

## 2.3 Management of Proceeds

The net proceeds of GSS Financial Instruments will be allocated for the financing and / or refinancing of existing or new Eligible Projects within 36 months after issuance. KB Kookmin Card will establish a GSS Financing Register (the "Register") to record the allocations and track the use of bond proceeds.

The Register will be reviewed annually by the GSSFIWG to account for any re-allocation, repayments or drawings on the Eligible Projects and expenditures within the pool.

The Register will contain, among others, the following information:

- Details of GSS Financial Instruments including ISIN, issue amount, pricing date, maturity date, etc.
- Summary of eligible projects and expenditures to which the proceeds from GSS Financial Instruments have been earmarked in accordance with the Framework
- Confirmation by GSSFIWG that the project constitutes an Eligible Use of Proceeds
- Aggregate amount of proceeds from GSS Financial Instruments earmarked for Eligible Projects and expenditures
- Any unallocated proceeds yet to be earmarked for Eligible Projects and expenditures
- Estimated environmental and social impact; and
- Other necessary information

The unallocated can be invested in cash, cash equivalents, investment grade securities or other marketable securities and short-term instruments in accordance with the Company's general liquidity management policies.

## 2.4 Reporting

The reporting will include allocation reporting and impact reporting and will be publicly available on the Company's internet website at: https://customer.kbcard.com/CXCROIVCD0001.cms.

### Allocation report

The allocation reporting will be available to investors within approximately one year from the date of the financial instrument issuance and yearly thereafter until the proceeds have been fully allocated and in case of any material changes.

- Confirmation that the use of net proceeds of each bond complies with this Framework;
- The total amount allocated to Eligible Use of Proceeds and breakdown per eligible category;
- The balance amount of unallocated net proceeds; and
- Disclose outstanding loans and investment that can be classified as one of eligible categories

### Impact report

To the extent possible, KB Kookmin Card will disclose impact report on annual basis including qualitative environmental and social impact analysis, and (if reasonably practicable) quantitative green and/or social performance indicators, on Eligible Use of Proceeds. Social and Environmental Performance indicators may change from year to year

| Eligible Project Categories | Reporting Indicators |
|---|---|
| Environmental Impact | • Tonnes of GHG avoided<br>• Tonnes of waste managed<br>• Energy saved per year (kWh/year)<br>• Number of electric vehicles manufactured<br>• Type of certification and number of Green Buildings |
| Social Impact | • Amount of financing provided to low-income individuals<br>• Number of start-ups, venture companies and SMEs financed<br>• Number of jobs created |

## 3. External Reviews

### Second Party Opinion

KB Kookmin Card has engaged Sustainalytics to provide an independent third party to provide assurance on the Company's Green, Social and Sustainability Financing Framework and its alignment with the GBP, SBP, SBG and GLP. The opinion from Sustainalytics ("Second Party Opinion") will be made available on the Company's internet website at: https://customer.kbcard.com/CXCROIVCD0001.cms.

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